December 1959

The Credit World

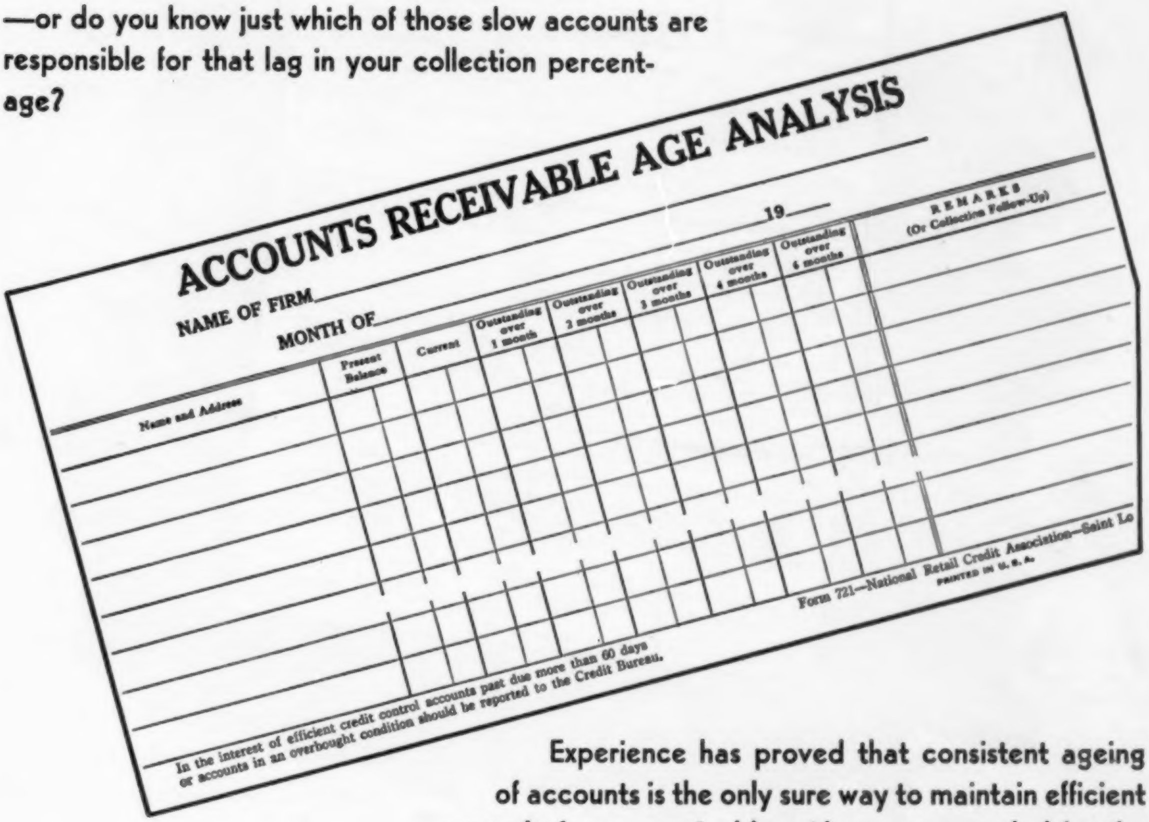
The only monthly publication serving the entire field of Consumer Credit

In this issue

Volume 48 Number 3

Are You headed for trouble Mr. Manager of Credit Sales?

—or do you know just which of those slow accounts are responsible for that lag in your collection percentage?



ACCOUNTS RECEIVABLE AGE ANALYSIS

NAME OF FIRM ________ 19__

MONTH OF ________

Name and Address	Present Balance	Current	Outstanding over 1 month	Outstanding over 2 months	Outstanding over 3 months	Outstanding over 4 months	Outstanding over 6 months	REMARKS (Or Collection Follow-Up)

In the interest of efficient credit control accounts past due more than 60 days or accounts in an overbought condition should be reported to the Credit Bureau.

Form 721—National Retail Credit Association—Saint Lo
PRINTED IN U. S. A.

Experience has proved that consistent ageing of accounts is the only sure way to maintain efficient control of your receivables. Also recommended for the following uses— • Collection follow up. • Account restrictions. • Trial balances in small stores.

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NATIONAL RETAIL CREDIT ASSOCIATION

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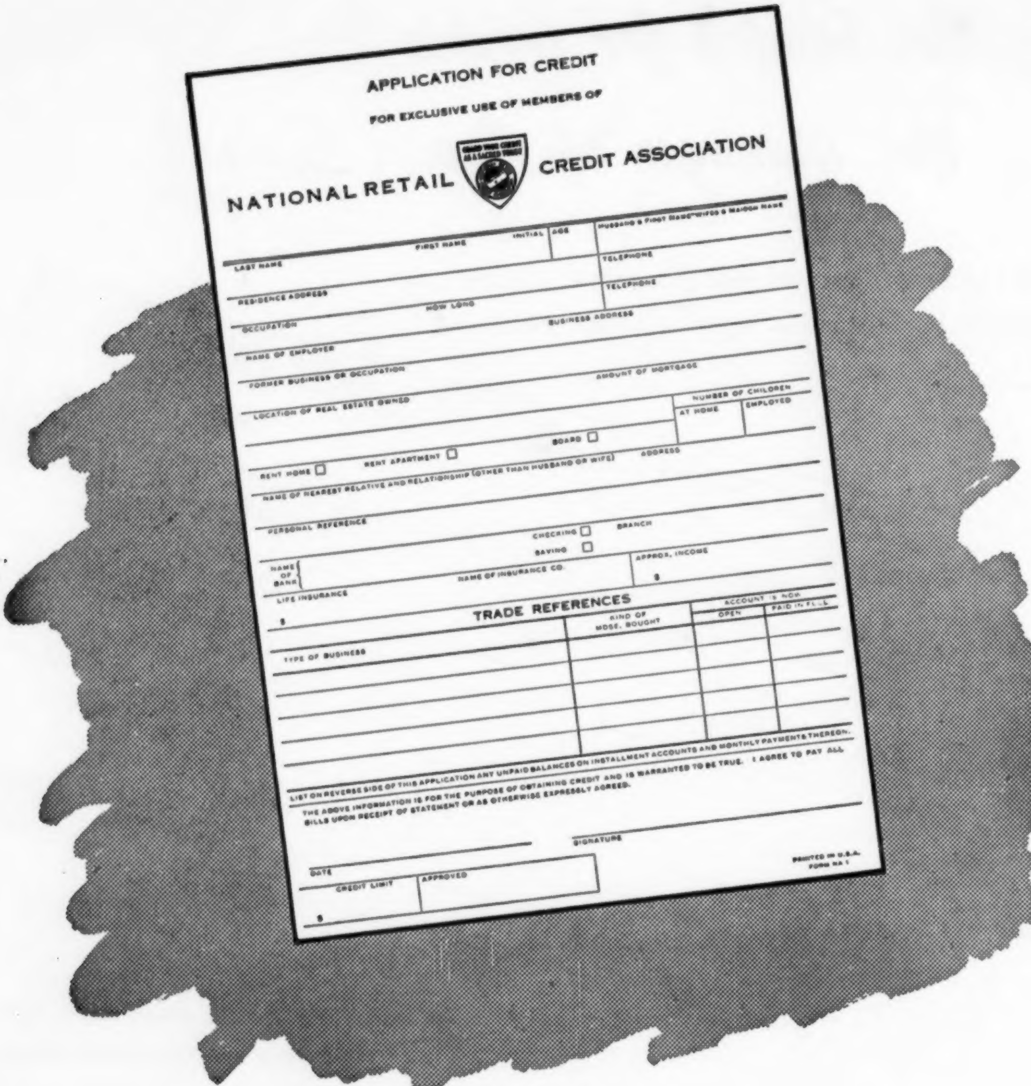
APPLICATION FOR CREDIT

FOR EXCLUSIVE USE OF MEMBERS OF

NATIONAL RETAIL CREDIT ASSOCIATION

LAST NAME · FIRST NAME · INITIAL · AGE · HUSBAND'S FIRST NAME—WIFE'S MAIDEN NAME

RESIDENCE ADDRESS · TELEPHONE

OCCUPATION · HOW LONG · TELEPHONE

NAME OF EMPLOYER · BUSINESS ADDRESS

FORMER BUSINESS OR OCCUPATION

LOCATION OF REAL ESTATE OWNED · AMOUNT OF MORTGAGE

NUMBER OF CHILDREN · AT HOME · EMPLOYED

RENT HOME ☐ · RENT APARTMENT ☐ · BOARD ☐

NAME OF NEAREST RELATIVE AND RELATIONSHIP (OTHER THAN HUSBAND OR WIFE) · ADDRESS

PERSONAL REFERENCE

NAME OF BANK · CHECKING ☐ · SAVING ☐ · BRANCH

LIFE INSURANCE $ · NAME OF INSURANCE CO. · APPROX. INCOME $

TRADE REFERENCES

TYPE OF BUSINESS	KIND OF MDSE. BOUGHT	ACCOUNT IS NOW OPEN	PAID IN FULL

LIST ON REVERSE SIDE OF THIS APPLICATION ANY UNPAID BALANCES ON INSTALLMENT ACCOUNTS AND MONTHLY PAYMENTS THEREON.

THE ABOVE INFORMATION IS FOR THE PURPOSE OF OBTAINING CREDIT AND IS WARRANTED TO BE TRUE. I AGREE TO PAY ALL BILLS UPON RECEIPT OF STATEMENT OR AS OTHERWISE EXPRESSLY AGREED.

DATE · SIGNATURE

CREDIT LIMIT $ · APPROVED

PRINTED IN U.S.A. FORM NA 1

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2 Gives you the important information to properly evaluate the account.

3 Helps your Credit Bureau prepare report by providing all necessary information.

4 Your customer will appreciate the ease and speed of the interview.

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NATIONAL RETAIL CREDIT ASSOCIATION

375 JACKSON AVENUE **ST. LOUIS 30, MISSOURI**

The CREDIT WORLD

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Editor ARTHUR H. HERT
Associate Editor LEONARD BERRY
Executive Vice President WILLIAM H. BLAKE

Editorial Offices: 375 Jackson Ave., St. Louis 30, Missouri, PArkview 7-4045.
Advertising Representative: Ralph Duysters, 70 E. 45th St., New York 17, N. Y.
Washington Counsel: John F. Clagett, 301 E. Capitol St., Washington 3, D. C.

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WILLIAM H. BLAKE
Executive Vice President
National Retail Credit Association

Consumer Credit Outstandings Increase But at a Slower Rate

CONSUMER SPENDING continued to increase, although at a somewhat slower rate than the second quarter 1959. Expenditures for services showed the greatest increase, with a slight decline in durable goods purchases. Non-durable goods purchases showed a small increase.

Consumer instalment credit outstanding increased $485 million in September, after seasonal adjustment, to $37.5 billion. The largest gains were recorded in Automobile Paper and Personal Loans. Instalment credit extended for the same period was $4,105 million.

Non-instalment credit outstanding, seasonally adjusted, increased $14 million during September, to a total of $10.9 billion. Total short- and intermediate-term consumer credit outstanding was $48.4 billion at September 30.

Department store sales declined four per cent in September, but were still six per cent above the corresponding month a year ago. The seasonally adjusted index figure is estimated at 143 per cent of 1947-49 average compared with 139 in August.

Instalment accounts outstanding at department stores increased two per cent during September and at the month end were 12 per cent above a year ago. Payments on instalment accounts were 15 per cent of first-of-month balances.

Charge account receivables rose eight per cent during September and were one per cent above a year earlier. Collections amounted to 47 per cent of balances at the beginning of the month.

Instalment credit outstanding held by commercial banks, estimated at $14,552 million, reflected increases in all types of credit. Consumer finance companies also had an increase in outstandings of $26 million, bringing their estimated holdings to $3.5 billion in September.

Discretionary income declined in the third quarter of 1959, according to the National Industrial Conference Board. This followed four consecutive quarterly increases. (See chart.)

Preliminary estimates indicate that discretionary income totaled $116.2 billion (seasonally adjusted annual rate) in the July-September period. This decline of $3.3 billion from the record set in the previous quarter resulted from a continuation in the rising trend of major fixed commitments and essential outlays impinging on a stable level of disposable income.

Major fixed commitments rose $1.5 billion in the third quarter, as a result of increases in scheduled repayment of homeowner and instalment debt and an increase in insurance payments. Increases in expenditures for food, clothing, utilities and medical services added $1.4 billion to essential outlays.

Retail merchants in Youngstown, Ohio found the steel strike's impact uneven. Jewelry stores are reported as empty but hardware stores thrived by selling paint and other do-it-yourself items to strikers. Stores that granted credit fared much better than those with no credit plans. Bertram Lustig, owner of seven Youngstown shoe stores, stated that "surprisingly, September was a pretty fair month. What saved us was credit. We've sort of become a bank."

An Ann Arbor, Michigan bank has set up a Teen-Age Loan Board of three area high school students. They pass on loan applications of youngsters in the community. The Board issues loans without collateral and without co-signers at two and one half per cent interest. The bank is helping young people prepare for adulthood.

Instalment financing of college education has tripled in just four years. Loans to students could amount to $1 billion in less than a decade, due to increased tuition costs.

The cost of living index, as measured by the Consumer Price Index, continued to creep up, although at a much slower rate than in past years. At October it was at a record high of 125.5 per cent of the 1947-49 average; 1.2 per cent higher than October a year ago.

The U. S. Census Bureau says that family incomes in 1958 were up two and one half per cent over 1957 but that living costs gained three per cent during the same period. In 1958 the median family income was $5,087, an increase of $116 over 1957.

The Department of Commerce reports that consumers' personal consumption expenditures amounted to 293 billion dollars in 1958, an all-time high. The various kinds of ex-

Changes in Department Store Sales and Accounts Receivable

Item September 30, 1959		Percentage change from: Month ago	Year ago
Sales during month:	Total	+10	+ 3
	Cash	+ 6	+ 3
	Charge	+15	+ 3
	Instalment	+ 9	+ 9
Accounts receivable, end of month:			
	Charge	+ 8	+ 1
	Instalment	+ 2	+12

Collection Ratios and Percentage Distribution of Sales

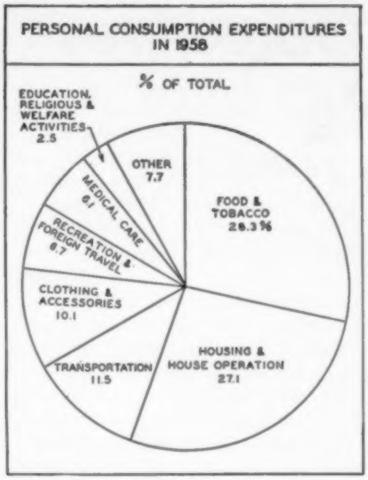
Item		Sept. 1959	Aug. 1959	Sept. 1958
Collection ratios:[1]	Charge accounts	47	46	48
	Instalment accounts	15	15	16
Percentage distribution of sales:				
	Cash	42	44	42
	Charge	43	41	44
	Instalment	15	15	14

[1] Collections during month as a percentage of accounts receivable at beginning of month.

Short- and Intermediate-Term Consumer Credit Outstanding

Type of credit	Sept. 30, 1959	Change during: Sept. Unadj.	Sept. Sea. Adj.	Year ended Sept. 30, 1959
Instalment credit, total	37,495	+446	+485	+4,416
Automobile paper	16,259	+177	+195	+1,927
Other consumer goods paper	9,419	+105	+ 94	+1,107
Repair and modernization loans	2,363	+ 40	+ 26	+ 256
Personal loans	9,454	+124	+170	+1,126
Noninstalment credit, total	10,899	+ 38	+ 14	+ 834
Single-payment loans	3,925	+ 47	+ 47	+ 430
Charge accounts	4,250	+ 7	− 40	+ 217
Service credit	2,724	− 16	+ 7	+ 187
Total consumer credit	48,394	+484	+499	+5,250

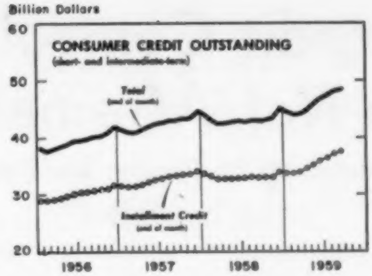
(Estimates, in millions of dollars)



penditures are shown in the accompanying chart.

Today's fastest growing market, reports *Seventeen* magazine, are the 5.8 million teen-age girls. During a 60-day back-to-school period, they spent $722,593,572 on apparel alone. They account for over 20 per cent of the total women's fashions sold. Also, they spend $250 million on good grooming.

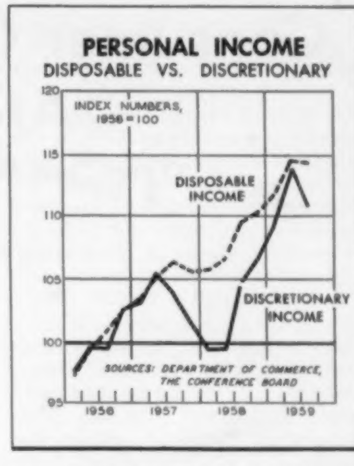
Teen-age credit cards are being tested by Sears in 18 stores across



the country. Youngsters 14 or over are allowed credit up to $50, with monthly payments of $5 required. Parental guarantee is not required but objections quash the account.

W. T. Grant is reported to have started a 30-day charge account program for all 788 stores.

Beneficial Management Company, second largest consumer finance company, will soon open an office in London, England. In England instalment credit, as a percentage of disposable personal income, is about 4.3 per cent, as compared to America's 10 to 12 per cent. Outstanding "hire purchase" debt, the British term for sales financing, has almost doubled since the controls were taken off some time ago. Only 25



per cent of all automobiles in Britain are purchased on the instalment plan, as compared to 64 per cent in the United States.

Japan, where the instalment plan was once considered shameful, finds approximately 60 per cent of all households now use "easy payments." Sales leaped from less than $500 million in 1954 to $1 billion in 1957. A government survey estimates that instalment buying accounts for 5.2 to 6.9 per cent of individual expenditures.

Consumer Instalment Credit, by Holder and Type of Credit

(Estimated amounts outstanding, in millions of dollars)

Type of credit and institution	Sept. 30, 1959	Increase or decrease during: Sept. 1959	Sept. 1958	Year ended Sept. 30, 1959
Total	37,495	+446	− 86	+4,416
Commercial banks	14,552	+164	− 48	+1,945
Sales finance companies	9,925	+140	−192	+1,034
Credit unions[1]	3,042	+ 52	+ 13	+ 451
Consumer finance companies[1]	3,514	+ 26	− 14	+ 234
Other financial institutions	1,569	+ 26	+ 16	+ 180
Retail outlets[2]	4,893	+ 38	+139	+ 572
Automobile paper	16,259	+177	−182	+1,972
Commercial banks	7,146	+ 67	− 52	+1,000
Sales finance companies	7,304	+ 85	−129	+ 703
Other financial institutions	1,320	+ 19	+ 6	+ 168
Automobile dealers	489	+ 6	− 7	+ 56
Other consumer goods paper	9,419	+105	+ 58	+1,107
Commercial banks	2,536	+ 23	− 30	+ 262
Sales finance companies	1,761	+ 38	− 61	+ 210
Other financial institutions	718	+ 12	+ 3	+ 119
Department stores[3]	1,701	+ 39	+142	+ 308
Furniture stores	1,161	+ 5	0	+ 51
Household appliance stores	354	0	+ 4	+ 10
Other retail outlets	1,188	− 12	0	+ 147
Repair and modernization loans[4]	2,363	+ 40	+ 16	+ 256
Commercial banks	1,766	+ 25	+ 13	+ 183
Sales finance companies	30	+ 4	− 3	+ 10
Other financial institutions	567	+ 11	+ 6	+ 63
Personal loans	9,454	+124	+ 22	+1,126
Commercial banks	3,104	+ 49	+ 21	+ 500
Sales finance companies	830	+ 13	+ 1	+ 111
Other financial institutions	5,520	+ 62	0	+ 515

[1] Estimates of loans at credit unions and consumer finance companies by type of credit are included with figures for other financial institutions.
[2] Figures by type of retail outlet are shown below under the relevant types of credit.
[3] Includes mail-order houses.
[4] The face amount of outstanding FHA Title I loans at the end of September is reported by the Federal Housing Authority to be $1,743 million, of which an estimated $1,475 million is for consumer purposes and is included in the above.

Consumer Instalment Credit Extended and Repaid, and Changes in Credit Outstanding

(In millions of dollars)

	Total	Automobile paper	Other consumer goods paper	Repair and modernization loans	Personal loans
Without seasonal adjustment					
Credit extended					
1959—Sept.	4,013	1,495	1,118	173	1,227
—Aug.	4,139	1,602	1,116	178	1,243
1958—Sept.	3,297	1,105	993	158	1,041
Credit repaid					
1959—Sept.	3,567	1,318	1,013	133	1,103
—Aug.	3,539	1,300	985	137	1,117
1958—Sept.	3,383	1,287	935	142	1,019
Seasonally adjusted*					
Credit extended					
1959—Sept.	4,105	1,497	1,131	158	1,319
—Aug.	4,103	1,514	1,150	165	1,274
1958—Sept.	3,326	1,082	1,005	142	1,097
Credit repaid					
1959—Sept.	3,620	1,302	1,037	132	1,149
—Aug.	3,601	1,306	1,010	138	1,147
1958—Sept.	3,376	1,246	949	140	1,041
	Changes in outstanding credit, seasonally adjusted[1]				
1959—Sept.	+485	+195	+ 94	+26	+170
—Aug.	+502	+208	+140	+27	+127
3rd qtr. monthly av.	+496	+210	+118	+28	+140
2nd qtr. monthly av.	+439	+200	+130	+29	+ 80
1st qtr. monthly av.	+346	+169	+ 81	+18	+ 78
1958—4th qtr. monthly av.	+162	+ 36	+ 43	+11	+ 72
3rd qtr. monthly av.	− 25	−141	+ 48	+ 8	+ 60

[1] Seasonally adjusted changes in outstandings derived by subtracting credit repaid from credit extended.
NOTE: Estimates of instalment credit extended and repaid are based on information from accounting records of retail outlets and financial institutions and include finance, insurance, and other charges covered by the instalment contract. Renewals and refinancing of loans, repurchases or resales of instalment paper, and certain other transactions may increase the amount of both credit extended and credit repaid without adding to the amount of credit outstanding.
* Includes adjustment for differences in trading days.

Consumer Credit Control Objectives Are *Not* Attainable

(Three Tests Demonstrate Its Dangers and Basic Unrealities)

OTTO C. LORENZ

Associate Editor, AMERICAN BANKER, New York, N. Y.

Otto C. Lorenz

THE FEAR of heights in the form of too much consumer credit; the fear of inflation and a tendency to know what is best for Tom, Dick and Harry better than Tom, Dick and Harry know themselves, are the most frequently heard arguments in favor of Government control of consumer credit. There are also those, too weak to be successful on their own, who want our Government to exercise control to curb competition. There are the classicists who believe in the "production for prosperity" theory and who think that every dollar spent on the instalment plan is a dollar less for savings needed to support production. Finally, there are the power-minded who see an opportunity to become tyrants over our people by means of consumer credit control.

Among those who fear the heights is Senator Bush, Republican, from the State of Connecticut. In the closing days of the 85th Congress in the Summer of 1958, Senator Bush said: "The overuse of consumer credit in the preceding two or three years resulted in enormous declines in production for the automobile industry and other manufacturers. . . ." Senator Bush could not be more mistaken.

Here are the facts behind the 1955 automobile sales peak, the peak in consumer credit and a decline in production during the last three years. Think back to January, 1955. There were rumors of a race between Ford and General Motors for first place. Remember? And we, poor innocents, thought it would be fun to watch. Week after week, month after month, we studied production records. First, General Motors ahead. Then Ford. Then Motors again—F o r d—Motors—Ford—Motors—until dealers were screaming under factory pressures. "Want to keep your franchise? Better sign this order!" Dealers exhausted their normal markets. As inventories became top-heavy under brutal factory pressure, dealers had to reach for lower and lower income brackets to sell. With the exception of sporadic ventures into 36-month deals in 1954, it was then and not until then that easy credit terms came to the attention of the public. No-down-payment and 36-month deals were offered by dealers far and wide across the United States. They had to reach for low income prospects they would never have thought of before to unload their overstocks. They had to sell or go broke. Easy credit terms and more and more credit were the only way to reach buyers without taking ruinous losses on their inventories.

Factory pressures grew through the summer of 1955. Dealers rebelled. In the fall of 1955, you will remember, a Congressional hearing exposed some of the flagrant factory pressure tactics. In the following year President Eisenhower signed a bill which gave automobile dealers some relief.

Time and again since 1955, I have called attention to the sequence of events: First the production race which climaxed in the fall of 1955. Second, the factory pressure tactics which overloaded automobile dealers. Third, the frantic efforts of dealers to sell their top-heavy inventories—efforts to reach buyers in lower and lower income brackets, buyers who had to have no-down-payment terms and 36 months to pay, and fourth, factory pressures and dealer efforts to unload boosted consumer credit volume and outstandings to all time highs. Easy credit terms were not the cause of the bulge.

It is time that inexperienced economists and misinformed men in public office learn the facts lest they, like Senator Bush, plunge our nation's business into something worse than the 1955 automobile production race. It is time they learned that "easy credit terms" do not of themselves produce a credit binge nor were they even characteristic of how the public was paying for cars in 1955.

I surveyed 100 of our leading banks across the United States who financed automobiles in 1955. These banks had less than 20 per cent "sub-standard term" credit deals on their books at that time. I found that only 11.4 per cent were carrying any 36-month new car automobile paper at all and none of them had as much as 20 per cent of their auto loans in 36-month paper. Only 2.8 per cent reported down payments as low as 20 per cent. None of the leading banks reported no-down-payment deals.

Leading finance companies told me that their holdings in so-called "sub-standard term" deals amounted to no more than 20 per cent, if that. "Overuse of consumer credit" did not cause the declines in production in the automobile and other industries since 1955. Automobile over-production and pressure sales in 1955 was the actual cause.

Many automobile dealers would have gone bankrupt in 1955 had not some banks and finance companies allowed an increase in consumer credit volume and a break-through into no-down-payment, 36-month deals. These banks and finance companies deserve a laurel wreath. They may have saved our nation from a bad economic tail spin in 1956 and are saving us, right now,

from a recession that might begin again any moment. Thirty-six-month deals, new highs in consumer credit, easy credit terms do not cause inflation as I shall show you presently.

Consumer credit terms and volume responsible for "the enormous decline in production in the last two or three years"? Nonsense. Senator Bush and those who have misguided him had better get their facts straight.

One of the most disturbing theories in recent years is the notion that our Government must have the authority to exercise selective control over consumer credit in order to make its general controls work. Theorists who hold this view had better learn the facts of life. They are not even ready for the kindergarten class in economic history. And they had better take a cram course in business psychology before they propose unworkable theories.

The principal danger in Government control of consumer credit begins far back of the time finished goods reach the market place. The danger lies in what the control will do to manufacturer psychology and policy.

There can be no forewarning of curbs to come. By the very nature of the beast, any forewarning of the exercise of the control would cause a wild scramble in the market place. Consumers would rush to beat the dead line if tighter terms were announced before they were to go into effect. And what would happen to manufacturers?

Do these theorists think an automobile comes off the production line overnight? Detroit tells us it takes two years to get the car from the drawing board to the dealer's show room. Raw materials and inventory are planned and bought far ahead. A labor force must be acquired and trained months, perhaps years, ahead of "New Model" show time. Capital commitments and credit arrangements are part of the production schedule.

Suddenly, on top of all this careful planning and scheduling based on market analysis, research and an educated guess as to what the public might buy—suddenly, overnight, our Government clamps down on down payments and months to pay! The "morning after" for the manufacturer is a scene of wreckage. He is deluged with cancellations of orders due to the expected decline in consumer buying as dealers try to avoid disastrously high inventory positions caused by artificially curtailed consumer demand. His raw materials freeze, his production lines grind to a stop and his labor force is laid off. Years of careful work by market analysts and production planners have been made valueless overnight by our Government's arbitrary action.

I tell you flatly that the uncertainty of Government rulings will so scare our industrialists that they will cut back production, lay off labor and start the whole nation into a deep depression. And who can blame them for tightening their belts to a point where they will produce only a day ahead lest our Government freeze their markets? And a day ahead is not enough to get automobiles, furniture and other durable goods off the drawing boards let alone into the market place.

Yet Senator Bush points the consumer credit control bill he introduced to the 86th Congress directly at these manufacturers. He has modified his Senate Bill 4289 presented to the 85th Congress. That bill read "To authorize the Federal Reserve Board to impose consumer credit controls." His new bill, S. 63, reads "To authorize the Federal Reserve Board to impose controls over instalment credit in connection with sales of consumers' durable goods." Why the twist aimed straight at the heart of the manufacturer? Does Senator Bush have the faintest conception of what he is doing? Does he realize that he may paralyze our nation's growth?

Remarks on Credit Controls

Listen to what a banker on the firing line of both manufacturers and consumers has to say about credit control: "It's impossible to be specific regarding the exact moment when Government should exercise credit control," said S. Clark Beise, president, Bank of America, in his reply to Senator Byrd's question.

There you have it. Government action can at best be an art, never a science. To quote Mr. Beise further: "There is no formula which can produce an automatic signal for the timing, nature or magnitude of economic intervention by the Government." True, we know that Government fiscal policy in the way of expenditures, taxes and the financing and refinancing of Government debt with particular regard for maturities can assuage or aggravate an inflationary or deflationary movement already under way. And we know that general monetary controls do the same. But when should action be taken? "When," I thunder, "when"?

As Mr. Beise says, "timing must depend on skillful analysis and sound judgment" which, in turn must rest on indices of unemployment, industrial production, wholesale prices, consumer prices, personal disposable income, inventory changes, investment in plant and equipment and housing starts. These forces "rarely all move in the same direction, let alone at the same pace."

Timing Is Important

There you are again. Timing. Timing based on data days, weeks, or months old while the market place is boiling up or cooling off in a myriad of opposed directions. Let any amateur theorist pause with alarm. Control administrators must have experience, judgment and the patience of saints when criticized because they lack divine omniscience. Mr. Beise's conclusion referred, in part, to general monetary controls. The obstacles in the path of timing selective controls approach infinity in geometrical progression.

Direct consumer credit controls, for example, must predict consumer behavior, let alone deal with the market place of the moment. Three times selective consumer credit controls have been so laggard that they did the reverse of what they were intended to do. How could it be otherwise with data coming in days, weeks and months behind the market place and the data anything but comprehensive? Add to these two road blocks, the imperative need to forecast human behavior and we have a task not for saints but for the

Editor's Note:

J. P. Stedehouser, Chairman, N.R.C.A.'s Legislative Committee, along with John Althaus, John Clagett and William H. Blake, met with Congressman Thomas B. Curtis (R), 2nd District of Missouri, on October 26, 1959, to discuss consumer credit controls. Congressman Curtis is a member of the Joint Economic Committee, which has just completed hearings on various phases of our economy. Its report will be issued sometime in December.

Lord himself—a task we should indeed approach with humility and the hope that we may be acting in harmony with the universal scheme of things.

Let us try to pin down just one element of the direct consumer control problem: Take the automobile market today. What should down payments be, one-third down? That is possible on certain utility or foreign car models but it will not move the Detroit models very fast. Yet we must not discriminate—one thing for foreign cars, something else on domestics. So shall we say no-down-payments? That will help dealers move Detroit cars at or a little above factory cost. But it may invite a run-away market in $1,500 domestic and foreign cars, thus upsetting well-designed, careful, self-regulatory measures continuously practiced by reputable finance companies and banks. So that is out too.

Then what about limiting the finance company or bank to a 100 per cent advance of the dealer's factory cost? No! No! What a riot that would start! The American car buyer is no dummy and it would not take him long to squeeze the dealer's profit down to zero in a slow market. So that will not work either, unless the control administrator wants to face an uproar from dealers and an angry Congress.

These are just a few of the problems of today. What about tomorrow? Our consumer credit control administrator must take steps today to prevent a repetition of the production race of 1955 tomorrow. Who knows what the public wants tomorrow? Will they buy comparatively low-priced utility cars in increasing numbers? Will the Big three start outproducing each other for this market? Or will the public swing back to high-priced powerful models and leave the small car high and dry? What about employment, inventories and investments in plant? Who can tell what the consumer credit control administrator must do now to encourage or discourage Detroit and its plans for tomorrow?

The automobile sector is only one element of the consumer credit control battle front. There are a thousand others, none of them "moving in the same direction or at the same pace." We, in the consumer instalment credit business on the firing line of the market place, have day-to-day contact with these varying conditions. We do our best to keep factory wheels turning commensurate with sound consumer credit practice. Time and again we have helped rescue industries which have overproduced. Time and again we have discouraged grandiose but unsound sales plans. We do better than any consumer credit control administrator has yet done or can ever do. Self-regulated, but with freedom to use our best, experienced judgment to meet each situation as it comes, we keep America at work.

That is America. Let those who favor Government control over consumer credit pause lest, enslaved, we must look back and say "That was America." Is consumer credit an inflationary force? Theorists say it is. They say that where there is one buyer for cash, there are 100 who will buy on credit. And if goods are in short supply these 100 buyers will push prices up. Is that so?

We had consumer credit control in World War II. We had to ante up at least a third down to buy a car and pay off the balance in no more than 18 months. Charge accounts at department stores were frozen unless we paid each month's bill promptly. What happened? Used car prices went up. So did other prices. The theorists say, "Think of how high prices might have gone without credit control"! I say "The control didn't stop prices from going up. Something else overpowered our weak little credit control and made a hash of it." Our theorists would do well to measure the strength of their materials.

Credit Not Inflationary

In peace time consumer credit is not inflationary. Quite the contrary. It is a tremendously powerful deflationary force. With no time payment plans available, our automobiles, refrigerators, television sets, kitchen ranges and other household goods would cost many times what they do now because they could not be mass produced. Manufacturers would have to double or treble prices to cover their overhead expense burdens if their markets were cut in half. The marvel of American business to the European has been our rule to make the margin of profit on each unit sold as tiny as possible —but to produce and sell in such quantities that the aggregate profit would be satisfactory. Without consumer credit those quantities would be unattainable and an inflationary price explosion would be on our doorstep accompanied by unemployment and ruin.

But we have not exhausted the facts economic history has taught us in the last three years—facts which our theorists cannot fit into their formula satisfactorily. The facts are these: Since 1955 the number of 36-month deals in our banks and finance company portfolios has grown year by year until last fall there were twice as many 36-month deals on the books than in 1955.

So? "Easy terms" deals have doubled—yet we have no tidal wave of consumer credit nor inflation in the car market. On the contrary car sales are down and buyers are pressing dealers to the bone price-wise. In 1955 the automobile dealer earned a net profit on sales of 1.7 per cent. In 1956 the ratio dropped to .8 per cent. In 1957 it dropped to .7 per cent. In 1958 it dived to .2 per cent. Easy term deals have increased steadily to help the dealers make what sales they can but volume of car financing remains below the 1955 peak. Consumer credit control will neither up nor down volume independently of other factors. The control is powerless against inflation or deflation. Theorists who favor control have not taken all the factors into account, much less measured the strength of each factor. A few years of practical experience and apprenticeship in the instalment finance business should be a requirement for all economists who venture views on this field. To take the advice of amateurs with no such experience is to court disaster.

A poll was recently taken among 1,500 economists in 150 universities. To their discredit, two out of three who voted were in favor of stand-by consumer credit controls. These academicians have flunked the course. Investigation would surely reveal that not one had earned credits of as much as 100 hours in the consumer credit business. Their views are incompetent.

Consumer credit was developed by a courageous group of pioneers who recognized an industrial opportunity. None of them dreamed of the contribution they would make to America's standards of living. They were a tough, hard-boiled, practical bunch and pulled no punches when it came to competition. But the punches for the most part were fair, square and above the belt. The guy who threw a rabbit punch got thrown out of the ring.

Growth of Pioneers

Today there are many followers of these pioneers. And both the pioneers and the majority of their followers have grown in stature and character. They have a deep sense of responsibility to their communities. They know that every step they take must be toward better human relations and the welfare of the nation.

As always, there are a few weak,

vocal incompetents in the business of instalment credit today. These weaklings lack the courage, the experience and the know-how of their colleagues. They want our Government to protect them against their own shortcomings. Theirs is not the spirit which built America, the courage of ideals which made the United States a nation. Shame to them. They owe their jobs to their betters.

There are bankers who, knowing little or nothing about public behavior, believe that their control of the nation's savings is jeopardized by instalment credit. They do not know that the disciplinary training of instalment credit has started many a family saving that never saved a dime before. These bankers should wake up to the fact that their savings accounts have increased in both number and amount—increased, not decreased, due in good measure to instalment credit.

There are, of course, the power-minded who desire a key position in a dictatorship over the American people. The evils which such individuals would generate need no discussion here.

What we must consider are the evils which the well-meaning proponents of consumer credit controls create in spite of themselves. They cannot pooh-pooh the fact that consumer credit control is discriminatory and grossly unfair to the needy. Poor men whose cars had worn out during World War II saw the rich ride to work. Others with money to spend but not enough to pay cash for durable household goods drank their sorrows away. The liquor and night club business shot to an all-time high. But the controls also started a wave of dangerous dishonesty. Workers found loop-holes in Regulation W. They discovered they could borrow for "educational purposes" and use the cash to buy cars. They learned to evade the law. Their honesty was undermined. And when you destroy honesty, you destroy credit in all forms.

Evidence of Evasion

Not much evidence of evasion, you say? You are uninformed. On the three occasions the Federal Reserve Board administered consumer credit control, September 1, 1941 to November 4, 1947; September 20, 1948 to June 30, 1949; and September 1950 to May 7, 1952. On these three occasions the Federal Reserve Board had neither men or money enough to police the evasions which were growing alarmingly all over the nation.

I have analyzed briefly the critical character of consumer credit control in the past. Now come with me into the future. Let us look over the newspapers of the day and age ahead which might be the throes of such a regulation:

WASHINGTON, January, 19YZ.—Governors of the Federal Reserve System discussed developments in consumer credit today. No action was taken to curb the growth of this form of credit in the sale of outboard motors and boats.

Board members viewed new peaks in sales with concern. However, their research staff said that no records had been kept on boat financing. "Banks are unable to supply us with the data we need," a research officer stated. "We are told that the cost of analyzing their loan volume in such detail is prohibitive."

A move to tighten consumer credit for the purchase of outboard motors and boats was defeated after hours of discussion. Governors of the System were unable to form a policy in the absence of comparative sales finance figures.

WASHINGTON, February, 19YZ.—Home improvement financing in the fourth quarter last year was down in three Federal Reserve Districts, up in eight and unchanged in one compared to a year ago, according to most recent figures reported by the System's research staff.

A move to tighten controls over consumer credit in the Districts where credit volume was rising was defeated. "It is impossible to exercise these controls in some areas and not in others," a member of the Board told the press. "We have spent many hours discussing the matter but are unable to establish a course of action." He confessed that further consideration of the matter has been "postponed indefinitely because other duties must have attention."

RICHMOND, February, 19YZ.—The father of five children applied for a loan to buy an electric refrigerator. Asked if he could pay 10 per cent down and the balance in 18 months, he said "I could not possibly meet those terms. But I need the refrigerator to keep the milk and food fresh for the kids."

The bank noted that another applicant was granted credit when he told the loan officer, "Sure I can pay 10 per cent down and the rest in 18 months. I am a bachelor and I would like a new refrigerator to keep my beer cool."

LOUISVILLE, March, 19YZ.—Over 5,000 workers at Appliance Park are being laid off this week. Industry leaders say the drop in sales of home appliances is due to failure of the Federal Reserve Board to ease consumer credit terms. Down payment terms and number of months to pay remain unchanged since controls were first applied a year ago.

DETROIT, April, 19YZ.—Labor leaders here are asking Congress to investigate the Federal Reserve Board's failure to loosen up consumer credit terms. Charges of discriminatory, dilatory rulings are aimed at the Board of Governors on the System.

SCRANTON, May, 19YZ.—"Susie, I found a way to beat the rap. Wan a car, honey? We will get the cash from the bank and go right over to the dealer. Guy told me how to do it. Says it is the best way to get around Government control of credit. All legal, too, as long as we are borrowing for educational purposes."

WASHINGTON, June, 19YZ.—One of the Governors of the Federal Reserve System asked reporters "How do you expect us to police a hundred million people with only two or three hundred FBR men. We have spent over half our time and money on control of consumer credit and get no where. Industry has asked for a Congressional investigation of our rulings and I am fed up with the whole thing!"

The Devil Laughs

HELL, July, 19YZ.—The Devil laughed loudly last night as he saw Americans evading the law. Consumer credit controls are corrupting the nation as Prohibition did in the '20s. His Satanic majesty expects commercial as well as consumer credit to be destroyed as the dishonesty of the people increases.

HEAVEN, August, 19YZ.—Angels met here in an all-night session to discuss means of restoring the honesty and welfare of the American people currently undermined by Government control of consumer credit. Gabriel is reported to have sent for his horn. ★★★

Credit Counseling

HARRY C. KASSON

Adjustment Service Corporation, Cincinnati, Ohio
***President*, American Association of Credit Counselors**

A MAN WHO can speak with authority about the effects of modern economic pressures upon the American family is Clinton Clad, Divorce Commissioner of Los Angeles Superior Court, Los Angeles, California. He stated that 80 per cent of the divorces coming to his attention involved messed-up family finances and that we desperately need financial counselors.

The first thing a bona fide credit counselor must do is to prove to you, the credit granter, that he can be trusted to see that you receive your fair share of the earnings of the debtor in his care. If you have a good credit counselor in your community you know that when he takes over the management of your customers affairs you no longer have to compete with others for the debtor's surplus earnings. You perhaps extend the terms of your contract to help and the debtor can begin the long, but no longer hopeless, road back to solvency.

Everyone benefits when an American Association credit counselor takes over. The secured creditors can set up a regular schedule of payments and be reasonably assured it will not be interrupted because of attachments. The unsecured creditors will start getting their money because all of the debtors funds will no longer be going to protect his car and his furniture.

The employer will have a better workman with a relieved mind and he will not have to make the choice of discharging the employee or continuing with the nuisance of attachment suits. The union benefits because "debt annoyance" is still cause for dismissal under most union contracts and they want to protect their membership.

Most benefited of all is the debtor. In return for a fee that will run somewhere between $8.00 to $12.00 per month he receives the following from an A.A.C.C. member:

1. A budget to live by, worked out by people with current and ample experience. He must be shown how to save the money to pay his just obligations.
2. One place to pay.
3. A payment he can afford (because the counselor has earned your confidence so that you will cooperate with him).
4. A complete record of his payments and receipts for the payment of his debts that will always be available for his protection.
5. Control over his own and his wife's impulse buying (because the counselor cooperates with the credit reporting agencies).
6. An education, which he receives almost without realizing it, on the proper ways to use credit.
7. Most important of all, a friend to advise him and speak up for him in emergencies and to keep him on the ball when he is tempted to let down.

That is what the *good* credit counselor can do. But he has a problem, which he shares with the credit granters, and that is the *bad* credit counselor—the lazy, the incompetent, the dishonest. Whenever a great need arises in human experience there are always people who really want to help and there are always people who strive to use the situation for purely personal gain.

When the greedy element tried to invade our field there were men in most industrial centers who had quietly devoted most of their lives to this work and who now saw their profession about to be discredited by the misdeeds of a few opportunists who thought they saw a chance to make some easy money out of the country's consumer credit growing pains.

As a first step to correct the situation the long-established firms formed the American Association of Credit Counselors and drew up a Code of Ethics—actually agreed upon as the *minimum standard* of business conduct in this field. Each of the members agreed to abide by the Code or forfeit his membership. The Code follows and I recommend it to you heartily as the standard by which you may judge a credit counselor worthy or unworthy of your cooperation.

All members of the American Association of Credit Counselors must:

1. Furnish a clear statement of the charges, terms, and list of accounts to be paid.
2. Amortize charges over the number of months necessary to liquidate the obligations and take no more than the amortized amount due at any time except in the event of prepayment.
3. Take no fee until the debt program is arranged.
4. Accept no account unless a written and thorough budget analysis indicates the terms of payment can be met.
5. Make a conscientious effort to follow every program through to a successful conclusion.
6. Present the service on its own merits, permit no misleading advertising, and avoid any encouragement of bankruptcy.
7. Make no payment or reward of any nature for referral of potential customers.
8. Strive to preserve friendly relations between debtor and credit granters and to re-establish credit.
9. Distribute money received for creditors promptly, and to the best interest of the customer.
10. Protect in common the dignity of the profession of credit counseling and be vigilant in the correction of abuses wherever found.

Our association also has made efforts to secure licensing legislation in various states and here we have met with some successes and some failures. This is not "Big Business." Our customers are only the small percentage of your customers that you consider "problems" or "credit errors."

It is difficult to interest legislators in the problems of these little people and in a business about which most of them have never heard. On top of this another segment of the consumer credit field opposed us with all of their resources for two or three years under the mistaken notion that we might some day become competition for them.

The fact that five states have passed laws which set up operating standards such as those required by our Code of Ethics is a real tribute to the reputation and influence of the old line credit counselors in those states.

Where we have been unable to get legislation at the state level our members have sought municipal ordinances. We earnestly solicit your support for any regulatory legislation in your community because the field should be controlled, not only to keep out the bad, but to encourage good men to serve the community.

If you have a good credit counselor in your community, work with him. If you do not, why not encourage some outstanding credit executive to take up this work with the backing of your Credit Association? Our members will be glad to help and advise in such a situation.

Magic With Meetings

MRS. MARY FRANCES BOWDEN

***Supervisory and Management Training Specialist*, Distributive Education Department, Divison of Education, The University of Texas, Austin, Texas**

**An address before the 45th Annual International Consumer Credit Conference
Dallas, Texas, June 21, 1959**

"MAGIC WITH MEETINGS" is a radical departure from tradition. Planning constructive meetings is a problem and a challenge to program directors.

Let us look at this problem. Strong associations or organizations are the creation of men and women. The objectives we work toward are shaped by the desires, beliefs, and will of each person. We must be imbued with the faith that the democratic way of life is the only way that guarantees the dignity of the individual. Toward this end educational credit leaders must contribute and understand what they are about.

Let us look at the challenge. The great purpose of education is that men may understand. Thus education is a process of guided interaction between the individual, the leader, and meaningful material. Individuals learn when they experience a new skill, idea or knowledge through doing, and make it their own to fulfill a need which they feel.

We must have program planning that provides active, positive participation by the individuals involved. Where are we to obtain program material but from the group itself. When this is done, programs become based on the common problems of the group. Thus learning becomes a part of the living reality of the individuals involved.

During the International Consumer Credit Conference, joint educational meeting of NRCA, ACBofA, CWBC of NA on Sunday, June 21, 1959, the list of common problems developed by the many working groups created the following magical topics: How to Use Credit to Promote Sales, The Dynamics of Cerdit Granting, Collecting Is Selling, Spell Down Operating Confusion, Let's Synchronize Procedures, Select—Indoctrinate—Coach, Let's Talk a Common Language, Using Credit Wisely (Consumer education in cooperation with banks, merchants, and credit bureaus).

You might ask what makes a meeting dynamic. You have heard the story of how the old Negro minister says he puts over his sermons.

"First I tells 'em what I'se guine to tell 'em—then I tells 'em—then I tells 'em what I'se done told 'em."

This story can be applied to "Magic With Meetings." First, select a subject based on a timely problem of the group involved. Second, develop the objectives to be accomplished within the time allotted. Third, prepare the meeting outline based upon the subject outline, bearing in mind the four-step basic plan. Following is "How to Plan a Meeting" using the four-step basic plan.

How to Plan a Meeting

Four-Step Basic Plan

STEP I—Preparation—plan the introduction
- a. Introductory remarks—put the group at ease—cordial greeting—appropriate incident story
- b. State subject—be specific
- c. State objective to be obtained—relate to group
- d. Review the facts—why the subject is important to the group
- e. Blue print the steps to be covered

STEP II—Presentation—develop the subject
- a. Develop subject—one step at a time—in correct thinking or doing sequence
- b. Tell—show—demonstrate—question
- c. Stress special steps—explain
- d. Stick to subject

STEP III—Participation—involve the group
- a. Have group apply material
- b. Question why, what, and how

STEP IV—Proof—summarize
- a. Summarize points developed
- b. Test
- c. Challenge

The following is an example submitted by a group at the session.

Group dynamics used in "Magic With Meetings" were lecture, "Phillip's 66," demonstration, brainstorming, role playing, panel and visual aids, which provided maximum involvement.

The lecture method should be dynamic because it is so universally used that in many minds, it is synonymous with teaching. In adult education, and even in schools, however, it is coming to be depended upon less and less, a skill is gained by group leaders in using methods involving a greater degree of individual participation.

The lecture is probably the most

Meeting Plan Outline

SUBJECT: "Let's Synchronize Procedures"
OBJECTIVES: To develop understanding and cooperation between credit granters and credit bureaus

PROPS AND VISUAL AIDS	SUBJECT OUTLINE	METHODS AND TECHNIQUES
	PREPARATION: Plan the introduction Introductory Remarks Greeting Get Acquainted	Use "Phillip's 66" method Divide audience into four groups Request that a leader and recorder be appointed Request that group leader have each member of group state name and firm
Flannel board, conference board, chalk board, poster or flipchart with word synchronization	Introduce Subject: "Let's Synchronize Procedures"	
Actual drawings of a merchant, bureau, and a customer linked together with a chain for use on flannel board	State Objective: To develop need for "togetherness" in credit granting	Use lecture method
	Benefits: To Merchants: Provides current information Protects loss of customers Maintains merchant-customer esteem Provides effective customer service To Credit Bureau: Makes accurate verification possible Keeps file information current Makes factual reporting possible To Customer: Maintains complete, accurate credit record Maintains customer self-esteem Provides quick service Insures accurate information	Use lecture method
	Blueprint the steps to be covered in this meeting How to obtain complete credit application How merchants report to bureau How bureau reports to merchants What information should be kept confidential	Use lecture method
	PRESENTATION: Develop subject "Synchronization" How to obtain complete credit application How merchant reports to bureau How bureau reports to merchant What information must be confidential	Use role playing method Assign each group one situation listed under presentation to develop through role playing Typical situations are: Merchant interviewing customer Merchant calling bureau Bureau verifying report to merchant Conduct and evaluate each situation
	PARTICIPATION:	Use demonstration method through advanced planning, select eight individuals who will cooperate in four planned demonstrations of situations listed under participation on this page. Have planning session with individuals selected 7 to 10 days in advance of meeting. Plan demonstrations to develop correct situations under participation.
	How to obtain complete application How to report to bureau How bureau reports to merchant What information must be confidential	Conduct demonstration of four situations listed under participation on this page
	Summary of major points developed Value of obtaining complete credit application Value of merchants' reporting information to bureau Value of bureau reporting information to merchants Value of keeping information confidential	Use "Phillip's 66" method. Organize into four groups; have each group appoint a leader and recorder. Ask each group to select one point only to summarize and evaluate. Have recorder make report from each group.
	PROOF: Summarize Benefits developed through synchronization of procedures	Use brainstorming method
	Close meeting Stress synchronization of procedures to gain "togetherness"	Lecture method

efficient method of presenting a large number of facts in a short period of time. That is its greatest value. It is useful, therefore, in introducing new subjects, in summarizing, in recapitulating group work, and in integrating materials, ideas, and concepts into an orderly system of thought. What makes a good lecture? It should be well organized with ideas developed from the simple to the complex. It should relate present material to past and future material. The main points should be emphasized and enlarged upon in turn and then reviewed. Finally, the main ideas should be summarized and conclusions drawn. The lecture method is effective when combined with other methods and thus can be dynamic.

Discussion Method

"Phillip's 66" discussion method—developed by J. Donald Phillips, Director of Adult Education, Michigan State College, East Lansing, Michigan—involves committees consisting of six people with six minutes allowed for solving a given problem.

In using this procedure, the leader announces the problem to be solved and exactly how the group is to be divided; for example, either by tables, by rows, or by section of rows. The leader states either a clear target question or a problem for discussion and states the time allowed as well as the necessity for reporting the findings of the group.

This method has proved helpful in the following situations: getting acquainted, determining problems, securing ideas before or after a scheduled presentation by a speaker or panel. "Phillip's 66" can also be used to canvass attitudes, evaluate ideas, build an agenda or develop a program, obtain action, or it can be used to exchange experiences, motivate thinking, and gain valuable ideas from the entire group.

This method provides an opportunity for total participation. It is best used where problems affect the entire group because it demands the best thinking from every member. It produces surprisingly useful results in a minimum amount of time, and usually leaves the group in a state of enthusiasm as it encourages freedom of expression.

The demonstration method consists of doing by the leader or selected participants, plus explanation. This method aids learning by using at least two sense impressions —seeing and hearing. It often adds clarity and interest and is convincing as well as stimulating.

What makes a good demonstration? Pre-planning is essential. This involves selection of participants who will cooperate, an advanced planning meeting with participants to develop the planned demonstration and a rehearsal before presentation. The demonstration method is effective when used to develop skill in performance.

The demonstration method was used during the meeting to illustrate the four-step basic plan used to plan and conduct meetings.

Brainstorming is a technique perfected by Alex F. Osborn, one of the founders of the Batten-Barton-Durstine and Osborn Advertising Agency, and is a term used to describe creative thinking sessions. It is a method that any group can use to develop creative ideas. The principle is to think of as many ideas as possible in a short length of time and then evaluate them. A brainstorming session should last about 15 to 20 minutes. More often than not the group will suggest more than a hundred ideas in this length of time. After the brainstorming session, a committee should be appointed to evaluate and analyze the ideas, select the best ones, and work out details of a program for their use. The final goal is to secure action; therefore, brainstorming is only the first step toward the goal.

Human Relationships

Role playing is a relatively new method in which people spontaneously act out problems of human behavior or human relationships, and then analyze the enactment with the help of the role players and observers.

Because role playing helps each person gain insight into his own and the other person's feelings, it has been widely recognized as a method for helping a person broaden his understanding and his ability to empathize with other people—seeing things from the point of view of the person on the other side of the table, tracks, or globe.

Multiple role playing may be used following a lecture, panel, or demonstration to help the audience see situations a if they were actually a part of the situations. As a result they understand why certain plans fail and other plans work.

The Panel Method

The panel method is one of the oldest methods used in connection with a lecture or demonstration to interchange ideas or opinions, to reach an agreement, to make a decision, to compromise differences of opinion, and to bring strongly opposing points of view together in a common basis.

In the "Magic With Meeting" session it was used to summarize methods and techniques which group members had experienced during this particular session.

The group leader has a wide variety of methods and techniques to call upon in helping group members learn. He should understand the peculiar characteristics, purposes, advantages, and disadvantages of each method or technique in order to choose the one that will most effectively serve the needs of the group members in a particular situation.

Effective visual aids are an aid to learning. Visual aids should contribute to learning through stimulating interest. They are often used to illustrate information pictorially in an interesting form, thus providing an experience that is common to all the group. Group leaders should understand the specific characteristics of each aid they plan to use to make it the best choice for use in a particular situation.

The key concept in the use of group dynamics is that each member of the group not only has opinions and ideas but has a right to express them. It has been demonstrated that groups can become amazingly efficient and productive when their members are free to contribute and are not blocked.

These are facts that potentially have far reaching consequences for our society. ★★★

The Big Three

Of Business and Credit

ERNEST W. REAMES, ***Manager of Credit Sales,*** **Hogg Brothers, Salem, Oregon**
President, **District 10, National Retail Credit Association**

IN OUR EVERYDAY life we find that business keeps each of us employed for one purpose. That purpose is to make a profit from the financial investment the owner has contributed. An owner of the business must make a profit or he will not remain long in the ownership capacity. The employees must make a profit for the employer or look for another position. The profit angle is the only reason for being in business. No one works entirely for fun and enjoyment unless he has no financial concern. Dollar a year men are rare indeed.

The eagerness of an individual to make a profit from an investment has caused the employment of many thousands of people in our American free enterprise system. Due to the profit angle many new businesses are started each year. However, a profit must be made during a period of time or an investor in a business might decide to liquidate his holdings and invest his capital in stocks, bonds, or real estate, etc.

Business is sometimes a cold and heartless thing. The same profit angle that caused a new business to come into existence will also cause it to fail if a profit is not made. Statistics show a high and ever-increasing mortality rate for new business. Business bankruptcy was higher in 1957 than any other year in the history of the United States. When a business fails few tears are

shed by anyone except the owner and the employees. Somehow a businessman would receive more consideration from the public and his competition if he died. Someone would at least send flowers. But if he fails in business, people feel that it is too bad; he was a nice fellow and all that. It was too bad that he did not make a go of it.

Three definite phases form each business. These phases, or parts of business could be best described as a perfect triangle. Each leg of this triangle is dependent upon the other two. Neither leg is stronger or more important than the others. Combined, the perfect triangle or the "big three of business" gives the investor or owner the one thing he wants and that is *profit.*

The base of this perfect triangle is called *retailer.* Under this heading we must consider many things that happen in order to place a product on a retailer's shelf. First in a long chain of events is an idea that some person had for a new product. This idea put the draftsmen, designers, architects, and patent attorneys to work. Then the idea was sold to a manufacturer. He put his factory on a 24-hour work basis because the product would be needed by so many consumers. This caused the miners, the foundries, the loggers and many others to work hard to produce the raw material for the manufacturer. And so it goes, on and on and on in an endless circle.

Finally the finished product is shipped by rail, truck, ship or air. This causes many more jobs and businesses. Many forms of financing have been used by everyone concerned to place this product in the retailer's hands. At last the product arrives at the retailer's store and is placed on his shelf or displayed prominently. And there it sets. All the above steps work together in order to place the product in the retailer's hands. For that reason the base or beginning of the perfect triangle is called the *retailer.*

The retailer has already decided that this wonderful product cannot make a profit for himself unless it is put into the hands of many, many consumers. To do this he must sell the consumer on the idea of buying the product in exchange for money. He must make a profit to remain in business.

The next leg of the perfect triangle is the sales organization. It is called *sales force.* Each retailer must decide what type of sales force he requires to place goods in the hands of the consumer. He knows that salesmanship is an art of its own. It is a skilled profession where a commodity is exchanged or transferred for an agreed price in money. Salesmanship is one of the highest paid professions in the world.

The sales force is compensated by salary and commission plans by most retailers. Some salesmen prefer to work on a straight commission, or percentage of the sale. Others like the security of a salary plus the challenge of a commission. In most cases a salesman is in the same boat as the retailer. If he does not sell, he does not eat. So, we again have the profit angle.

Most factories provide sales aids and training methods. Top notch salesmen stress the point that a person must know his product in order to sell it to others. Manuals, movies, slide lectures, sales schools, product schools, and endless aids help prepare a salesman to close the sale.

Many retailers have sales managers. Their job is to help the salesmen make sales. Advertising campaigns through newspapers, magazines, radio and television help put the buyer into the mood to sign a contract. Direct mail is also used by many firms to assist the sales force.

Quotas are set by management and the salesmen are expected to sell the required amount. It may be a quota of dollar volume, or it may be a definite number of products. Chances are good that his quota will be raised the following month if he makes it this month. It always seems just a little out of reach.

We have now formed two legs of the perfect triangle. The retailer who placed the consumer goods on his shelf and the sales force that plans to place the same consumer goods in the home of a consumer. But the sales force appears in trouble. They complain that the consumer does not have the money to pay for the product. True, they have sold 10 to 15 per cent of their potential customers on a cash basis, but what about the other 85 or 90 per cent that could be sold if a cash price was not required? The retailer and sales force then go into a lengthy conference concerning a method of placing consumer goods in the consumer's home. Everything seems to indicate that a greater profit can be made if the average person could purchase. The retailer has the product and the sales force can sell it. The only thing needed is a method or "marketing vehicle" to place it in the hands of consumers. The problem is answered by one word and that word is *credit.*

Credit forms the third leg of the business triangle. Since the early part of the century, consumer goods have been placed into the consumer's hands by credit. The definition of credit is "Man's Confidence in Man," the marketing vehicle. The credit profession continues to surge forward each year with new ideas, methods and improvements. Using our credit wisely to purchase the good things of life has become a North American tradition. If a manufacturer or retailer can place his products into the consumer's hands, he can stay in business. Credit is the marketing vehicle that keeps our factories and businesses in operation.

The three groups of the credit fraternity so vitally interested in helping move goods from the manufacturer to the retailer to the ultimate consumer are called the "big three of credit." They are the National Retail Credit Association, Associated Credit Bureaus of America, and the Credit Women's Breakfast Clubs of North America.

The perfect triangle, forming the big three of business, is now complete. Each leg of the triangle depends upon the other two for support, encouragement, and stability. Neither of the three, retailer, sales force, or credit is most important. Each is equal in a smooth running business. Each is part of the wonderful team called *business* that makes our way of life and our standard of living the greatest on earth.

The tremendous production of our United States has provided the best housed, best fed, best clothed people of the entire world. Our standard of living continues to surpass anything the world has known. The present atomic age coupled with automation will provide more luxuries and more consumer goods than ever before.

As in the past, consumer goods must be paid for from future earnings of the consumer. Few families are today financially able to pay cash for the good things of life. In fact, customers demand credit accommodations. Many types of financing plans make it easy for a customer to buy now and enjoy using the product while paying for it with monthly payments from future income. This is possible, providing the prospective purchaser enjoys a satisfactory credit record.

The credit fraternity that makes consumer goods available through the proper use of credit is composed of specialists. As indicated above, a perfect triangle is also formed by the "Big Three of Credit."

The NRCA, ACBofA, and CWBC of NA, each form one leg of this perfect triangle. Neither leg can stand alone; each is dependent upon the other two. Each leg is equally important. If either fails to function properly the marketing vehicle is handicapped.

The teamwork, cooperation, and vision of these three organizations provide the only workable tool that enables the consumer to maintain his high standard of living to keep our factories producing and to enable retailers to make a profit. Combined, and working together, these three groups form the perfect triangle which is the big three of credit.

During the early 1900's credit education of the consumer as well as that of the retailer was practically non-existent. The system of credit investigation consisted mostly of knowing the prospective purchaser personally or of using the "eyeball credit check." Few people attempted to purchase anything without cash to pay for it immediately. "Running your face" for a purchase was frowned upon.

At this same period of time our United States started to grow industrially. The automobile, railroads, mining, agriculture and manufacturing were creating new jobs and new consumer goods. Our population was expanding and moving into new localities. These factors caused problems to develop concerning credit.

A group of farsighted businessmen from all areas of the United States realized that a potential tornado was beginning to form in this thing called "Credit." They realized that something must be accomplished immediately in the form of credit education of the consumer and the retailer or the new "force" would just as surely wreck their businesses as if it were hit by a tornado.

A great number of invitations about a proposed meeting were sent to many of these farsighted men. The

You Would Be Surprised How Many Would Join NRCA IF YOU ASK THEM

purpose of the meeting was to have a real "meeting of the minds" concerning credit problems and credit education.

These men met in Spokane, Washington in 1912. The story is told about the brass band that met the train and of the pomp, ceremony, and hospitality that has later made Spokane famous. The meeting was enthusiastic with thoughts of the future role credit would perform on the North American continent. At this Spokane, Washington meeting in 1912 The National Retail Credit Association was born.

Membership in the Association has continued to increase each year. On May 31, 1959 the membership totaled 46,909. At present, Charles F. Sheldon, Chairman of the Membership Committee is striving for a membership of 100,000.

The manager of credit sales is primarily interested in the role NRCA takes in his business, educational, and social life. The retail firm is interested in the many things received for the $5.00 a year membership—slightly over forty-one cents each month—or about one and one-third pennies a day. NRCA services include the following. The listing is not according to importance but will give an idea of the magnitude.

A. Assistance in organizing a local RCA unit.

B. All members receive The Credit World each month. This is the only monthly publication that serves the entire Retail Credit Field. The magazine keeps the credit sales department up to date on new ideas, methods and plans.

C. Makes available collection stickers and professional collection aids that are more eye appealing, more economical and more effective than those purchased elsewhere.

D. Makes available text and reference books published by NRCA: *Retail Credit Fundamentals, Retail Credit Management, Streamlined Letters, Important Steps in Retail Credit Operation, How to Write Good Credit Letters, Physicians and Dentists Credit and Collection Manual, Retail Collection Procedure and Effective Collection Letters*, and *Retail Credit Sales Procedures*.

E. Makes available the finest accounts receivable age analysis form obtainable.

F. Makes available the only credit application form designed by outstanding authorities.

G. Supplies a membership sign for the office wall or desk.

H. Makes available to local credit granters the NRCA sound movie "The Good Things of Life on Credit."

I. Loan of slides and script to local Associations about the history and services of NRCA.

J. Consumer education in the booklet published by NRCA, "The Good Things of Life on Credit."

K. NRCA sponsors educational courses. "Retail Credit and Collection Practices," taught by Sterling S. Speake. "Public Relations in Business," taught by S. H. Womack. A professional letter writing service called "Effective Credit and Collection Letters" is conducted by Leonard Berry. Each of these three men have been outstanding and successful. They are experts in the field.

L. Makes available through the National office two correspondence courses for individuals who live in communities not large enough to have locally sponsored Credit Schools. They are "Important Steps in Retail Credit Operation," and "Retail Credit Fundamentals."

Washington Office

M. Has maintained an office in Washington, D. C. since 1927. The purpose is to watch pending legislation and to keep members informed through The Credit World.

N. Supplies a credit kit of credit material to new members free of charge.

This list does not cover all the services available. It does, however, give an idea of the tremendous advantage of being a National member.

In less than 50 years NRCA has become an important part of the high standard of living enjoyed by the consumer and the credit granter. Its voice in local and National legislation, affecting the credit story is powerful. The progress of the past welded together with a realistic and optimistic approach to the future will produce in 2012 A.D. a credit economy that only Jules Vern could imagine.

The name, Associated Credit Bureaus of America, gives us a good idea of its functions. Since the early 1900's the history of the ACBofA has been one of progress. The organization came into being on February 24, 1906, under the name of National Association of Retail Credit Agencies. In 1908 the name was changed to National Association of Mercantile Agencies and in 1921 it merged with the Retail Credit Men's National Association and became known as the Credit Service Exchange Division. In 1927 the name was again changed to the Service Department of the National Retail Credit Association. In 1931 the Supervising Collection Department was completed and in 1934 the Service Department and the Supervising Collection Department were separated from the NRCA and became part of the National Consumer Credit Reporting Corporation. In 1937 a new corporation was formed—the Associated Credit Bureaus of America which now consists of three divisions, the Credit Reporting Division with a membership of 1,929 in 1959, the Retail Collection Division with 1,209, and the Medical Credits Division organized in 1958 which now has a membership of 324. Total membership of the three divisions is 3,462. The area covered by the ACBofA is identical to that of NRCA however ACBofA has nine districts while NRCA has twelve. Each elects its own officers and directors and some districts have their own executive secretaries.

The purpose of the credit bureau division is to provide complete and up-to-date credit reports to members of the local credit bureaus. Each bureau is a part of the vast network of credit bureaus. This means that in addition to assisting members with up-to-date local reports, a credit bureau that enjoys membership in the ACBofA can obtain rapid credit reports on anyone from a distant city. This is advantageous to progressive merchants attempting to promote profitable credit business from newcomers in their locality.

The inter-bureau reporting system is made possible by three distinct tools. First of all is excellent organization coupled with harmonious cooperation throughout the system. Secondly is the yearly Credit Bu-

reau Division Roster that lists all ACBofA members. This tool makes available immediate information for the Reporting and Adjustment Departments of Local Credit Bureaus. The third tool is a standard inquiry prepaid inter-bureau coupon. The coupons are purchased from the National Association by member Bureaus. A request for credit information by a local Credit Bureau to a member Bureau in another locality is accompanied by an ACBofA coupon. This eliminates the need for each Bureau to "bill" other Bureaus at the end of each month for services rendered. It also establishes a standard price or cost. Coupons are later redeemed by the ACBofA office.

The Manager of Credit Sales should know that every member of ACBofA Credit Bureau and Collection Division is bonded. This has eliminated unethical reporting and collections. In fact—the "fly-by-night" operator has been excluded from membership. A Bureau Operator must have been in business for one year before he can apply for membership. Then he must pass certain standard qualifications before he can be accepted by the board of directors.

All ACBofA members receive the magazine *Management Monthly.* Educational programs include many seminars, manuals on fundamentals of credit reporting and collection service. The latest thinking in credit reporting and collection service is made available to members.

In addition to being the best qualified specialists in credit reporting and collections, the ACBofA member assists his locality in many other ways. He helps educate the credit granter and the public about the wonderful sales tool—credit. Everyone benefits by doing business with an ACBofA member.

The Credit Women's Breakfast Club of North America is an organization of credit women founded in Portland, Oregon on April 30, 1930 by Mrs. Edith Shaw Johnson. The objectives are as follows:

1. To promote mutual understanding, cultivate friendly relationship, and foster the solidarity of women who are actively engaged in the credit profession.
2. To maintain a harmonious relationship between credit departments of the various firms represented and the local credit bureau.
3. To foster the aims and ideals of the National Retail Credit Association.
4. To stimulate education in the practice and procedure of credit.

At the Silver Anniversary of the National Retail Credit Association in Spokane on June 15, 1937, the CWBC was organized on an International basis. Districts correspond with those defined by the National Retail Credit Association. Avadana Cochran of Seattle, Washington, was elected the first International President of CWBC of NA.

The present membership of the CWBC of NA is over 14,000 and the total number of clubs is 435. A monthly publication called the *International* is prepared by the Central Office at 1863 Railway Exchange Building, St. Louis 1, Missouri. This publication contains educational information concerning credit methods and procedures, as well as club news.

The club also sponsors an education program for credit women. A revised manual is issued each year and a course is prescribed. At the end of this yearly course, an examination is given. Members successfully passing the test are issued a certificate which is visible evidence of the individual's interest in achievement and job betterment. Any girl working in the credit profession should become a member of this international organization if she earnestly desires to succeed. ★★★

How to

Collect Monthly Charge Accounts

HOWARD A. CLARKE

***Credit Sales Manager,* Gimbel Brothers**
Pittsburgh, Pennsylvania

MY HOBBY is collecting unusual, bizarre and sometimes slightly fantastic, letters received from customers. My friends know of my hobby so I have quite a collection. This letter I am going to read came from Speer and Company, Pittsburgh. Jack Delmas, Credit Manager, was kind enough to give it to me.

Dear Mr. Speer. . . . I was right flabbergasted when I got that there second notice from you'ns. I guess I clean forgot about my payment last time. It sure made one feel good, tho', when I read where it said you'ns always wanted to know why we couldn't make our payments. It don't hardly seem like you'ns in the big city would be that friendly like wantin' to know about us. When a body tries to raise three young'ns these here days a three day pay hain't hardly nuthin'. I forgot to say that Pat got a job in the mill but it hain't for three days a week. The rest of the time he just hangs around under foot and it's sure hard for a body to get any work done. He's a real big help with the baby tho'. Did I tell you'ns about her? She's ten months old and the cutest thing that ever came down the pike. She's real ornery by spells too. Well after she was born all my upper teeth hurt . . . so the dentist said I'd have to have them pulled out cause their hain't no sense in feeling bad. I got store teeth then. I would have got them from you'ns but I never seen where any of them wuz advertized. I half got them charged at the dentist, and that's why I feel so bad for forgetting to send my payment to you'ns, because if Pat's credit gets all (that's Pennsylvania Dutch—gets all means gets kaput) then they will come back and take back my teeth and I look like an old bag without them. . . .

Oh yes, I meant to tell you about the scarlet fever. The middle boy got it first and it cost $12.00 for the doc' and the medicine—that there pennycillin. Well we charged it that time. Then the baby took sick with it and it cost $9.50—that was a different doctor. My old man said that's all a person can do these days to keep the kids in pennycillin. The baby, she ain't clear better yet, but some. I think I had a touch of it last week too. Two years ago my kids got the mumps and I did too and I was sick as a dog. Half lost a week's work that time to stay home and take care of the kids and me. And I have some new-fangled medicine, costs 65c a pill, and I swallow one and puke it right back, so at the drug store they took them all back except the ones I puked. I guess them mumps dropped then because after a year we had a little girl baby, and we always wanted a girl. Well so nobody knows but what things turn out for the best. I guess I talked enough now. This sure is the worst March I can recollect. The coal pile is getting so low account of this wind makes it hard to keep warm, and it wouldn't be so bad just for us, but the baby could take the new-monia, and we'd hate to lose her after she's been so much trouble to us. . . . The weather is back some, tho'. That's sure a blessing. Our well's been near dry since last July. None of the neighbors have any more than us, tho', so we hain't so bitter about it. Well, Mr. Speer, I know you'ns are too busy to worry about my problems, so I will sign off now. I am putting $2.00 inside and don't worry nuthin' about the other six. We will sure pay it. I bet you'ns have lots of money worries too. Come out our way some summer and I will give you'ns lots of garden stuff. It cuts away down on the food bill in the summer.

P.S. Do you think those Republicans have anything to do with us not having any money?

That is really authentic too. I am one of those guys who simply refuses to wring his hands over collections. I have 350,000 charge accounts at Gimbels and if I wrung my hands over collections they would have been sawed off at the wrists probably by this time.

I think one of the oldest clichés in the credit business is the one that says, an account that is properly opened is half collected. And there is certainly some reasonableness to that. I would prefer to put it this way, that if my accounts are properly opened and I can leave the collection of them in the hands of qualified assistants leaving me much more time to do what the most important part of my job is, and that has to do with getting more credit business for Gimbels.

I can tell you a story of a successful collection operation in two short sentences, schedule the work and stick to the schedule no matter what happens.

We have a department store in Pittsburgh that makes stuffers out of interviewers sometimes when the billing gets behind. Their collection percentage is 38 per cent. It cannot help but be anything but 38 per cent.

I would like to tell you what goes on at Gimbels that will prove of value to you so you will think that I accomplished something. I would like to tell you first what I do not believe. I do not believe in making unit operators whose primary responsibility is authorizing, the stuffing medium. I do not want them to be preliminary dunners. I do not believe in having the billers insert a collection notice that can be sent with the bill. I tried that. There is no selectivity here. They are not credit angles. It gets you into too much hot water with good customers.

If my collection percentage is 45, 46 or 47 I am very happy. When it gets to be 50 or 51 per cent I think I had better take a hard, close look at the collection department just to make sure they are not dunning customers to the detriment of the store's credit business. Our dunners are not preliminary dunners. We do not pass accounts back and forth for collection and inter-collection and outer-collection and in suspense and out of suspense. They are dunners and they take it from the beginning and they stick with it until it is written off.

I make an analysis; I do not want anything over six months old in the files. As far as the write-offs are concerned we used to write off our accounts every six months and about two years ago we started to write them off every day. You write an account off when it needs to be written off whether it is 30 days old or three years old, and with 350,000 accounts we write eight or ten or twelve accounts off every day. There is no sweat, no strings, no big pile up at the end of six months or a year.

Having written the accounts off they go to a special set of dunners. We call them bad debt dunners, and these are the best in the place. There are four of them, and there they really beat them to death, including suit and execution and everything else. In Pittsburgh no collection agency will take our accounts unless we pay them 60 per cent, and I do not mind paying them the 60 per cent at this point because they are either dead or moved, or what have you.

We had a situation that makes it impossible to get typists. The skilled industry gets the cream of the crop and we get the dregs. So we decided a couple of years ago to change all sorts of procedures to go into a complete letter system of patented letters and these take a two cent mailing on the zone, tying and bulk mailing, and the dunners write their own duns. We had eight dunners and five typists, and with this handwriting of the duns we now have one typist and ten dunners, so we saved the difference in salvage. ★★★

How to Open a Credit Account

E. L. GOODMAN

***Credit Sales Manager*, Burger Phillips Co.**
Birmingham, Alabama

WE LIVE in an age of instant coffee, instant mashed potatoes, instant money and instant service. Every business has its own peculiarities, but generally speaking, the fundamentals on how to open a credit account are the same for department stores, jewelry stores, furniture stores, and most types of retail credit stores. There is no magic formula that I know of that will apply to all stores under all circumstances. Many concerns claim that the do-it-yourself interview and the silent interviewer box have been highly successful. For the benefit of some of you who are new in credit work and do not know what the silent interviewer type consists of, that is simply a Charlie McCarthy arrangement that is made out of wood. It is a wooden-headed credit man with a slot in his head. He asks no embarrassing questions. The customer simply fills out an application and drops it in the box and hopes to get an account with your store.

The credit interview is probably the credit department's first and last personal contact with most customers. For this reason it is extremely important that you should make a good and lasting impression. There is an old time proverb that goes something like this, "You cannot prevent the birds of sorrow from flying over your head, but you can prevent them from building nests in your hair." It is well to remember this proverb because properly opening a credit account involves more than merely taking the customer's name, address, occupation and calling the credit bureau for a report. Here are my ten commandments on how to open a credit account.

Number one. Greet the customer with a smile and a warm handshake. I realize there are some exceptions to that handshake with all the problems we are having. It depends upon the section of the country you live in.

Number two. Introduce yourself. If the applicant was not introduced by the salesperson, or was escorted to the office by the salesperson and not introduced, then, by all means introduce yourself. Speak clearly, distinctly, so that she will know your name is Goodman, Jones or Brown.

Number three. Put your customer at ease. Offer a cigarette or if you have a coke machine in your office, offer a Coca-Cola. Most of them will not accept, but it is the psychology of the thing to offer them that to put them at ease. If a child accompanies the parent at the office, by all means recognize that child. Get into a little conversation with that child, and what is your name and what do you do—do you go to school—what school do you go to? Do you have a dog? By all means get the name of that dog and talk about that dog. That dog means more to that boy than his parents most of the time. Have a little chewing gum or some advertising balloons in your desk and offer that gum or some balloons to that child, or a pencil—whatever it may be. You have made great inroads, the mother will just beam and smile when you have taken notice of her child.

Now you will notice I have given you the first three commandments. We have not started the interview. Now we are ready for the interview. The first question, at least to me, is an important one. Ask your applicant for credit if she is a newcomer to your city. This is important because it may save a lot of time in taking that application if you happen to subscribe to a newcomer service that we do in Birmingham through our credit bureau and under our Group Charga-Plate arrangement. In that event we usually have the credit card already set up in the file because we have been notified by the Group Charga-Plate office that a charga-plate with eight notches on it has been sent to Mrs. John Doe of such and such an address. She is a newcomer from Dallas, Texas. When she says she is a newcomer you can call your authorization department or your file clerk or you may have to get up and go after it yourself. It depends upon the size of your office, and you bring that card out and it makes the customer feel good. You say, "Well, Mrs. Jones, you are a newcomer here, you already have an account with us. Do you have your charga-plate." She may tell you she has received so much mail she does not know what she has at home. Nevertheless you have assured her she already has an account and just go downstairs with Joan and say "Charge it." All you need to do is get her signature if you require it in your operation. If she is not a newcomer then it is nice to find out. "You have been living here for 10 or 15 or 20 years, and we haven't sold you on credit—I wonder why." It is good to find out just why you have missed her all those years if she is a native of your city. This is commandment *number four.*

Number five. Suggest that the customer sign the credit application card the first thing. I have found that it is best to do that before firing a lot of questions to the customer because some of our interviewers, after they have asked all the questions, forget to get the signature. Another reason why I like to have the customer sign the application the first thing is that you have that name before you. You may have misunderstood it in the introduction. You may have forgotten it, and you have it there before you and you can use that name several times during that interview.

Number six. Do not start at the top of your application card and ask questions in a numerical sequence with rapid machine gun firing style until you reach the final question on the card without ever looking up at the customer.

Number seven. Have the ability to know when to stop asking questions. Some customers resent questions about their income. Some divorced women resent any questions about their former husbands.

Number eight. Use your customer's name several times during the interview, bid her a good day, thank her for coming in.

Number nine. Explain clearly the types of credit your store offers. Discuss a little bit about the terms in billing procedure which of course can be given in more detail in pamphlet which you can enclose in your letter acknowledging your account. Take at least one-half of a minute to extoll the virtues of credit. Consumer credit education is a full time job. Be sure to note on the credit card the type of account the customer has requested.

Number ten. The interview should take place in a private office. Clean, well-lighted surroundings painted in attractive colors even if they stuck you in a corner. The location of the credit office should be plainly marked. In conclusion, an account properly opened will do four things: one, increase sales; two, promote good will; three, reduce credit losses; and four, assist your credit bureau in rendering faster service. ★★★

CREDIT DEPARTMENT *Communications*

LEONARD BERRY

CREDIT DEPARTMENT correspondents must *know* their store if they are to write successful collection letters, productive credit sales promotion letters and convincing adjustment letters.

Knowing the store means learning all about its history, merchandise, service and policies. It means giving careful attention to what those in authority have to say about the store's over-all objectives. It means visualizing the special place the store occupies in the community. It means understanding and reflecting the unique personality of the store. And, above all it means developing strong *personal loyalty* for the store.

Letters that persuade someone to do something willingly are seldom written by the person who has the "I just work here" attitude. Such letters can only be written by the person who has a keen and warm interest in "My store."

Even though letters are written in the best of style, perfectly executed and mechanically flawless, if not permeated with the spirit of genuine helpfulness and gracious service they will not ring that necessary "bell" in the reader's mind.

Here then, we have still another factor in our formula for better business letters, development of loyal attitudes to our firm. Because such loyal attitudes come only from understanding and knowledge, we should seek to identify ourselves with the firm and become *personally involved in its success.*

It is worthwhile remembering that just as the *individual* personality is the total of what a person says and does, so the *corporate* personality is the total of what all in the organization do and say.

The words used in the credit sales department, both spoken and written, are loaded with vast possibilities for the creation of good will or the releasing of poisonous streams of ill will. The right words make friends; the wrong words make enemies. The right words come from right attitudes; the wrong words come from wrong attitudes.

How often have you heard a customer say bitterly, "Sure I knew I was in arrears, but you could have told me about it in a nicer way!" That reaction comes when harsh, abrasive, sandpaper words are used such as: fail, failure, delinquent, dissatisfied, complaint and the like. People react violently to such deflating phrases as: you allege, you assert, you contend, *if* what you say is correct, a child would have known that, and the like.

Far better to use the warm, friendly, ego-building words as: successful, satisfied, confident, cooperative, assurance, benefit, privilege, gratified, and the like.

Of course, on occasion correspondents like parents must be stern. Some people have a distressingly weak backbone when it comes to fulfilling obligations. Collections are not always brought about by cream and sugar appeals. However, it is possible to be stern and courteous. People can be guided but they will resist being shoved. When motivated properly they will respond favorably.

The secret is to be conscious always of the customer as a human being worthy of consideration and courtesy, and of the store's need for building reputation and prestige.

Before mailing that letter, make sure that it is a human, natural and personal communication designed to get a job done and at the same time make a friend. If the letter fails the test, try writing it again with a fresh mental approach.

This Month's Illustrations

Illustration No. 1. Here we show a most unusual credit sales promotion item. It was sent to us by Don Puffer, Executive Vice President, Credit Bureau of Greater Denver, Denver, Colorado; President, Associated Credit Bureaus of America. It is a foldover letter used by Bernards, Denver, Colorado with the photograph of the store's sales group appearing on the outside. We congratulate Bernards on the originality and attractiveness of this mailing piece.

Illustration No. 2. Paid up instalment account customers are always highly desirable prospects for monthly charge accounts in addition to further instalment contract sales. In this fine mailing piece, Sibley, Lindsay & Curr Company, Rochester, New York, compliments the instalment account customer on prompt payment and persuasively suggests a monthly charge account be opened for those purchases conveniently paid for in one month. There are golden credit sales opportunities right in one's own customer files.

Illustrations No. 3 and 4. We show here both a collection letter and a monthly statement because of the overprint on both informing the customer of the store's policy of adding a service charge on overdue balances. These come to us from Wyman Brothers, Baltimore, Maryland. We have been asked often for such illustrations. In this particular case the service charge is one and one half per cent and is added after five months. Many stores add the service charge after two months past-dueness.

Illustration No. 5. Wolf Brothers, Tampa, Florida reports excellent success with this imaginative inactive account gimmick. The card gives the person presenting it one full day's free parking while shopping at Wolf Brothers. Certainly one angle of solving the inactive account problem is to get the customer in the store. Once in the store, thoughtful salesmanship and timely and attractive merchandise should result in sales and, *reopened accounts.* This card idea is an excellent magnet to get inactive account customers to consider coming in to shop. Parking is one of our most severe problems and free and convenient parking facilities are usually eagerly welcomed.

To all . . . A MERRY CHRISTMAS and a HAPPY NEW YEAR!

Why BERNARDS at 70 BROADWAY men's wear

(1)

Dear Customer,

Yesterday morning your name came up at our sales meeting. We hadn't seen you for a long time -- and we just plain miss a good customer like you!

Right now is a wonderful time for you to buy at Bernards! Our Fall selections are at their peak — from top value suits at 39.75...to our renowned Exec-U-Line suits from 49.75.... and up to our famous make Hammonton Park, Austin Leeds and GGG suits. In 2 trouser suits — the greatest selection you've seen, priced from 59.75.

In topcoats there's a value filled collection! Fine imported and domestic tweeds in our special 39.75 group! Famous name imported tweeds are only $44 — and other hand-detailed imported tweeds just 49.75 and 59.75.

And in sport coats, slacks, and furnishings — it's the same story! Fine quality, forward-looking styling — and a built-in saving of 10% to 20% right down the line!

Do come in soon. Make your selection. And use your good credit at Bernards.

Sincerely,

I. Friedberg — Aaron Kopff

I. Friedberg — Aaron Kopff

It all adds up to—"WE WANT YOU BACK AT BERNARDS AGAIN"

You Owe It to Yourself To Get More for Your Money at Bernards

---

Wyman

Lexington 9-4525

(3)

Overdue Balance $ 189.45

Dear Customer:

Your attention is again called to the fact that there is an outstanding balance on your account. Your account was opened with the understanding it was to be on a thirty-day basis; therefore, we would appreciate your remittance or a definite date when we may expect same.

Trusting you will give this matter your prompt attention, we are

Very truly yours,

WYMAN, INC.

Credit Manager

A CHARGE OF 1½% ON THE OVERDUE BALANCE IS ADDED TO ALL 30 DAY ACCOUNTS NOT PAID WITHIN 5 MONTHS FROM DATE OF PURCHASE. THIS WILL BE ADDED UNLESS YOUR ACCOUNT IS PAID BEFORE YOUR NEXT BILLING.

MAIN STORE AND OFFICES
322 N. HOWARD ST. • BALTIMORE 1, MD.
Tel. LExington 9-4525

OTHER STORES
HILLENDALE SHOPPING CENTER
MONDAWMIN MALL
EAST POINT SHOPPING CENTER
HARUNDALE MALL
DRUMCASTLE—YORK ROAD

Wyman SHOES

OTHER STORES
5414 HARFORD RD. IN HAMILTON
EDMONDSON VILLAGE
ROBINSON'S—GLEN BURNIE
NORTHWOOD SHOPPING CENTER
TOWSON PLAZA SHOPPING CENTER

(4)

Mr. Albert Henry Hunt
10 Orchard Lane
Wood Rose 22, Maryland

PLEASE DETACH THIS PART OF BILL AND MAIL WITH CHECK. YOUR CANCELLED CHECK IS A RECEIPT.

CLOSING DATE	CHARGE	CREDIT	BALANCE
PREVIOUS BALANCE			

Bills are payable within 30 days of receipt

Payments made and merchandise returned after closing date will be shown on your next bill.

Please bring saleschecks and credits when making an inquiry on this statement.

A CHARGE OF 1½% ON THE OVERDUE BALANCE IS ADDED TO ALL 30 DAY ACCOUNTS NOT PAID WITHIN 5 MONTHS FROM DATE OF PURCHASE. THIS WILL BE ADDED UNLESS YOUR ACCOUNT IS PAID BEFORE YOUR NEXT BILLING.

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(2)

Thank You!

The promptness with which you paid your Sibley Convenient Payment Plan is sincerely appreciated. We hope that you enjoyed your purchase and found our Credit Plan convenient and helpful.

We cordially invite you to open a Sibley 30-day charge account for your smaller purchases. This will enable you to take full advantage of the exceptional values Sibley's will offer during the coming months. All that is required to make your 30-day charge account available for immediate use, is your signature and address on the reverse side of this card. Larger purchases can, of course, be handled as before on our Convenient Payment Plan.

It will be a pleasure to serve you often.

Sincerely,

Sibley, Lindsay & Curr Co.

. . . to order merchandise
Call HAmilton 4000
. . . all other calls HAmilton 8800

We've been looking for you . . . (5)

Park and Shop • Polk at Tampa

This will Introduce:

Mr. Joseph L. Wolf, Jr.,
612 Bay Street,
Tampa 6, Florida.

WHO WILL BE OUR GUEST FOR ONE FULL DAY'S PARKING

FRANKLIN AT ZACK **Wolf Brothers** TAMPA, FLORIDA

Your account has not been used for some time. And, we HAVE missed you.

We'd enjoy your visit and certainly want you to use your 'good credit.'

Fall and Christmas selections are now at their fullest—and for your added convenience enclosed is a full day's parking "Free" with our compliments.

It will be our pleasure to have you visit us.

Cordially

Wolf Brothers

A New Statement Return Envelope Idea

The advantages of the "Statement-Return Envelope" shown below are:

1. Eliminates cashier's time in locating the proper account for checks received. All a customer has to do is detach the lower portion of her statement, insert check, seal and mail. When received in our office positive identification is assured from the statement heading.
2. Eliminates cashier writing receipts for checks received through the mail. The statement top becomes the official receipt.
3. An additional service to customers.
4. Provides space for monthly sales promotional ideas.
5. Eliminates extra inserting of a separate envelope. There would be no record of name and address on envelope as there is on statement top.
6. Eliminates the necessity of keeping an inventory of separate envelopes on hand.
7. Customers are likely to lose separate envelopes, but with this combination it is always available unless they lose their statement.

The "Statement-Return Envelope" is processed through our addressographs, bookkeeping machines, Recordak and postage meter machine with no difficulty whatsoever. It has been used by our company for the past year and so far we have received 58,000 complimentary replies from our customers. At present it is being used only on the 30-day accounts but we have designed a similar "Statement-Reply Envelope" combination for our budget accounts which we will use in the very near future.

Here are a few of the complimentary remarks:

"I think these envelopes are wonderful. So many times when I am ready to write a check I find I am out of envelopes."

"Another first with Addis. Yes, I do like the idea."

"Terrific idea."

"The return envelope is an excellent idea. Other stores should follow suit."

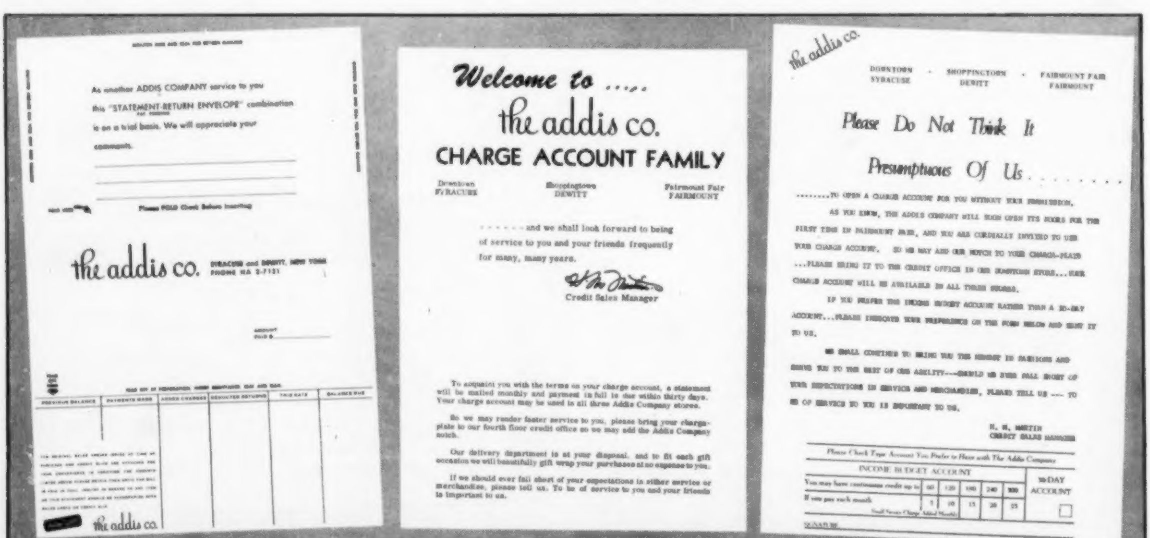
"The new envelopes are very handy. I appreciate not having to address envelopes."

"An excellent idea. I always run out of envelopes."

At the time of a search of the Library of Congress I was amazed to learn that since 1912 this type of thing has been needed and many variations had been filed for patent. Copies of those already patented were sent to our attorney and upon examination we found them extremely cumbersome, difficult for customers to use and also expensive. This instrument for which I have applied for patent is entirely foreign to anything on record in the Library of Congress and extremely easy to use for all concerned.

When we opened our Fairmount store we sent all of our charge customers an announcement on a small printed card. After three weeks we sent out the form, shown in the lower right hand corner below, advising our customers that we had opened their charge accounts. The response has exceeded our fondest expectations. We receive telephone calls and letters daily thanking us for opening the account.

The announcement card read "Have you heard? Yes, it's true. The Addis Company will be your neighbor. Our new store in Fairmount will open and we will be anxious to meet and serve you. Watch the progress of our building. Your newspaper will have further details. We just cannot wait to move in."— H. M. Martin, *Credit Sales Manager*, The Addis Company, Syracuse, New York.



State Legislation . . .

Florida: The Florida Retail Instalment Act regulates revolving charge accounts, deferred contract with retention of title and the lay-away account plan. An older regulation covers 30-day charge accounts.

Under the Act, interest rate, service charge, or carrying charge, regardless of reference, is regarded as falling under the time price differential theory.

An analysis of the Act appears on page 26 of this issue of The Credit World. K. D. Rippey, Chairman, Credit Bureau Committee, points up several important features of the Act.

Pennsylvania: Pennsylvania's State Chamber of Commerce charged that a bill backed by Governor Laurence and State Attorney General Anne X. Alpern, to set up a bureau in the State Department of Justice to protect consumers from rate-gouging, is a *sleeper* that would permit prying into many phases of business life. Under the measure, a Bureau of Consumer Protection would be established. The State Chamber says that since everybody is a consumer and practically everything involves consumer goods and services, the administration's bill conceivably could open the way to state "snooping" on a grand scale.

California: Governor Brown has appointed Mrs. Helen Ewing Nelson to the position of State Consumer Counsel. The office was created to *protect consumer interests* and is patterned after the New York State program. Other states reported have their eyes on California with a view to similar legislation if the program being launched by Governor Brown works out satisfactorily.

Ohio: A new law going into effect January 1, 1960, will require the State Superintendent of Insurance to set maximum premium rates and establish regulations for Credit Life and Credit Accident and Health Insurance. Rate hearing was scheduled for November 24, 1959, by State Insurance Superintendent Edward A. Stowell.

Missouri: A law authorizing the establishment of banking facilities removed from the parent institution is now in effect. State Finance Commissioner G. H. Bates has already begun to issue permits to banks to set up such facilities fixed by the new law and limited to the cashing of checks, making deposits and making change.

Illinois: The 1959 Illinois legislature amended the state Consumer Finance Act to provide that small loan companies may insure the life of borrowers and may also require health and accident insurance. The state insurance director shall determine the maximum premium rate.

Pennsylvania: Plans were disclosed by the State Banking Department to review the revolving credit plans of Pennsylvania banks for conformity with the state banking code. Robert L. Myers, Secretary of Banking, said that there is neither anything to prohibit nor to authorize such a credit plan for unlimited funds. He said he might seek an opinion from the State Justice Department to determine the legality of existing revolving credit systems.

Alabama: Governor Patterson signed into law a compromise small loan regulatory act setting a $300 ceiling. The new law goes into effect 60 days following the signing into law.

Nebraska: State Attorney General C. S. Beck ruled that instalment sales contracts in Nebraska may not include a delay of several months before the first payment, unless the delay is due solely to the buyer's seasonal or intermittent income. The opinion said that payment must be at regular intervals and no instalments may be substantially greater than any preceding instalment.

New York: A public hearing on present and proposed New York laws governing the extension of credit and security was scheduled for November 30, 1959, in New York City, by the Joint State Legislative Committee on Commerce and Economic Development. Senator Walter Van Wiggeres, Chairman, said the hearing would cover: Insurance premium financing; amendments to the state personal property law and banking law in relation to retail instalment credit agreements; amendments to the insurance law in relation to credit life, health or accident insurance; amendments to the banking law in relation to revolving credit plans; and amendments to the lien law in relation to chattel mortgages by dealers.

Wisconsin: Governor Nelson vetoed a bill which would have set uniform standards for the present department store practice of charging one and one-half per cent a month as interest or carrying charges on revolving credit charge accounts. In vetoing the bill, the Governor suggested that the legislature wait for a *model act* expected to be drafted by early next year.

"It is now recognized that control of time payments is a matter of nationwide concern," said the Governor, "and the National Conference of Commissioners on Uniform State Laws is currently drafting model state legislation covering revolving credit, auto financing, instalment sales, and State licensing and inspection procedures."

Noting that retail credit laws had been enacted in New York, Kansas, Florida, California, Nebraska, North Dakota and Ohio, Nelson pointed out that in all but one the laws provide for initial maximum charge of one and one-half per cent a month and that three states used sliding scales to set maximum charges. He also noted that the Wisconsin bill did not provide for state supervision of the rates set by the bill. He said that appeared to be counter to Wisconsin's traditional legislative pattern. ★★★

People and Events

W. H. Blake Visits Local Associations

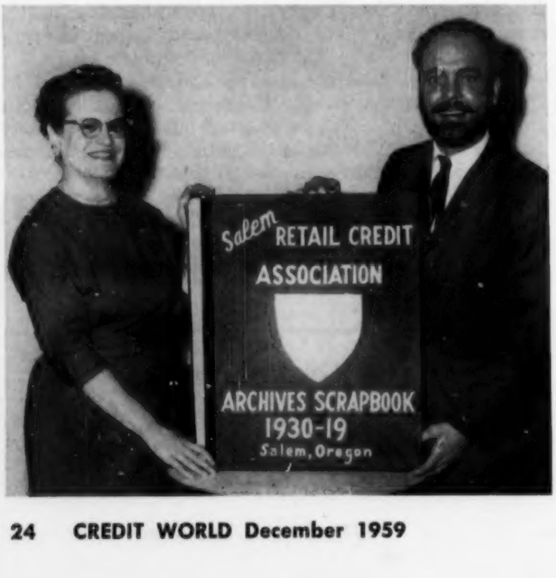
During October 1959, William H. Blake, Executive Vice President, National Retail Credit Association, addressed four local Retail Credit Associations. His first appearance was before the Associated Retail Credit Men of St. Louis, October 7, 1959, at the Mayfair Hotel. This was followed by a talk before the Associated Retail Credit Granters of Omaha, Omaha, Nebraska, on October 20, 1959, at the Sheraton-Fontenelle Hotel.

Mr. Blake addressed the first Fall dinner meeting of the Retail Credit Association of Minneapolis, Minneapolis, Minnesota, in the Radisson Hotel on October 21, 1959. A combined meeting of the Battle Creek and Kalamazoo Retail Credit Associations heard Mr. Blake on October 27, 1959, at the Gull Lake Country Club, Kalamazoo, Michigan.

In presenting his subject "Consumer Credit and Its Public Image," the speaker pointed out the several fallacies and mental stereotypes that had grown up around the credit institution.

Scrapbook of Salem Association

A long-range project of the Salem Retail Credit Association is their scrapbook formally presented to the entire membership at their annual banquet. The committee bringing the book to its final conclusion was Delphine Savage, Vice President, Credit Women's Breakfast Club of Salem and Ernest W. Reames, Past President, Salem Retail Credit Association, shown below. The scrapbook concerning the early history of the Association contains many 8" x 10" photographs of Past Presidents, newspaper clippings and mementos particularly important to members of the Association. This is the first time that information about Past Presidents, the year served, and interesting facts about their administration was assembled in a form available to every member.



Coming District Meetings

District One (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, Provinces of Quebec, New Brunswick, Nova Scotia, and Prince Edward Island, Canada) will hold its annual meeting at the New Ocean House, Swampscott, Massachusetts, May 15, 16, and 17, 1960.

District Two (New Jersey and New York) will hold its annual meeting at the Hotel Syracuse, Syracuse, New York, April 23, 24, and 25, 1960.

District Three (Cuba, Florida, Georgia, North Carolina, and South Carolina) and **District Four** (Alabama, Louisiana, Mississippi, Tennessee, and Bristol, Virginia) will hold a joint annual meeting at the Sheraton-Charles Hotel, New Orleans, Louisiana, April 24, 25, 26, and 27, 1960.

District Five (Illinois, Indiana, Kentucky, Michigan, Ohio, Ontario, Canada, and Wisconsin, except Superior) will hold its annual meeting in conjunction with the 46th Annual International Consumer Credit Conference at the Palmer House, Chicago, Illinois, June 5, 6, 7, 8, and 9, 1960.

District Six (Iowa, Minnesota, Nebraska, North Dakota, South Dakota, Superior, Wisconsin, Fort William, Ontario, and Manitoba, Canada) will hold its annual meeting at the Blackhawk Hotel, Davenport, Iowa, March 27, 28, and 29, 1960.

District Seven (Arkansas, Kansas, Missouri, and Oklahoma) will hold its annual meeting at the Hotel Jayhawk, Topeka, Kansas, March 10, 11, 12, and 13, 1960.

District Eight (Texas) will hold its annual meeting at the Robert Driscoll Hotel, Corpus Christi, Texas, May 22, 23, and 24, 1960.

District Nine (Colorado, New Mexico, Utah, and Wyoming) will hold its annual meeting at the Hotel Continental, Pueblo, Colorado, May 15, 16, and 17, 1960.

District Ten (Alaska, Idaho, Montana, Oregon, Washington, Provinces of Alberta, British Columbia, and Saskatchewan, Canada) will hold its annual meeting at the Banff Springs Hotel, Banff, Alberta, Canada, May 20, 21, 22, 23, and 24, 1960.

District Eleven (Arizona, California, Hawaii, and Nevada) will hold its annual meeting at the Hotel St. Clair, San Jose, California, February 21, 22, and 23, 1960.

District Twelve (Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, and West Virginia) will hold its annual meeting at the Hotel Sheraton, Philadelphia, Pennsylvania, February 14, 15, and 16, 1960.

350 Medical Credit Personnel Attend Texas Clinics

Shown below is a photograph of the 165 people who attended a Credit and Collection Clinic for Medical Personnel at Houston, Texas, conducted by Leonard Berry, Director of Education, National Retail Credit Association, on September 14 and 15, 1959. Participants included doctors, dentists, hospital administrators, medical assistants and medical secretaries. During the six hours of the Clinic, Mr. Berry discussed the place of credit in our modern economy and specifically how the medical profession can benefit by adopting well-proved credit and collection techniques used successfully in retailing for years. Ample time was devoted to detailed collection procedures for the medical profession and suggestions for improved written and spoken communications.

The Clinic was sponsored by the Credit Bureau of Greater Houston, Manager Robert K. Pinger who was assisted by Ross Sanddal and Clint Boyett, credit counsellors for the Bureau. Each registrant received one of the two specialized NRCA credit and collection manuals written by Mr. Berry exclusively for those engaged in medical credit work.

A similar clinic was conducted on September 16 and 17, 1959 at Baytown, Texas, under the sponsorship of William J. Strickler, Credit Bureau of Greater Baytown. This attracted 50 interested participants. Another school, also for medical personnel only, was conducted at Beaumont, Texas and sponsored by Erwin E. Singleton, Credit Bureau of Beaumont with 63 in attendance.

While in the area, Mr. Berry held a Business Communications Clinic at Waco, Texas on September 21 and 22, 1959. Arrangements for this appearance were made by William A. Matthews, Waco Retail Merchants Association and Waco Retail Credit Association officers. This was attended by 57 retail credit and collection personnel from local firms and stores.

Mr. Berry also appeared on the program of the Southeast Regional Credit Conference of the Retail Credit Executives Association of Texas, held at Beaumont on Saturday and Sunday, September 19 and 20, 1959. This excellently managed and well-attended Conference attracted 150 retail credit sales executives and credit bureau managers. It was held in the new Ridgewood Hotel-Motel at Beaumont. The President of the Southeast Texas Region, Fred Ellis, Port Arthur, Texas presided throughout with exceptional skill and effectiveness.

Florida Retail Instalment Act

THIS ACT is an attempt to regulate the credit plans and contracts used by retailers. There is an old regulation covering the 30-day charge account. This Act regulates the revolving type charge account, the deferred contract with retention of title, and the lay-away account plan. Each will be taken up in the order as indicated above.

The regular 30-day charge account is *not* regulated by this instalment sales act. If you have a signed agreement to buy, with the interest rate stipulated in the agreement on a regular 30-day account, you may charge ten per cent per annum delinquency if the purchaser is an individual, and 15 per cent per annum on a delinquent account if the purchaser is a corporation. However, if you have no written contract, you may charge delinquent accounts at the rate of six per cent per annum. These rates are maximum.

The revolving type of account allows the purchaser up to 12 months to pay for the goods which may be purchased from time to time. The unpaid balance is payable in instalments. The amount of such instalment being determined by a payment schedule and a time price differential of one and one-half per cent per month is charged on the unpaid balance each month. The one and one-half per cent per month is the top interest rate or carrying charge. Other requirements of this law are:

1) The printed portion of the contract must be set up in at least *6 point type*.

2) Immediately preceding the signature line, there must be a notice to the buyer. This notice advises the buyer not to sign the contract without reading it and that he is entitled to an exact copy of the contract and also has the right to pay in advance. This notice must be printed in at least *10 point type*.

3) A copy of the contract must be given to the buyer and an acknowledgment by the buyer of receipt of such

copy shall appear immediately prior to his signature, and must be printed in at least *10 point type*.

This interest rate or service charge, or carrying charge, whichever it is called, is called the time price differential in the law. The seller must furnish the buyer with a statement as of the end of each month, or at the end of the cycle billing date. The statement shall show:

(1) The beginning balance, (2) the payments made or credits to the buyer during the month, (3) the cash price and date of each purchase (unless the buyer was furnished with a sales slip at the time of purchase), (4) the amount of the time price differential accrued and due for the month, and (5) the final amount due at the close of the billing period.

Deferred Contract Instalment Plan. If this type of charge plan is what is known as the open end contract, it should meet the requirements of the revolving charge plan and operate as such. If it is a contract for a given item, for a number of months, this type of contract must be in writing, the body shall be in *6 point type*. There must be a notice to the buyer in *10 point type* in the contract.

The time price differential may be computed at the rate of $10 per $100 per annum on the principal balance. The principal balance is the cash price minus the down payment. A copy of this contract must be given to the buyer at the time of closing.

Lay-Away Plan provides for the contract to be printed in *6 point type*, each contract must set forth the cash purchase price, the down payment, the balance, and to that balance may be added the time price differential charge not to exceed $100 on each $100 per year. The buyer is to receive a copy of the contract. There must also be a notice and acknowledgment which must be printed in at least *10 point type*.

Each retailer should see his attorney with respect to this new instalment Act. The chances are that each type of agreement which you have will need to be changed. The law provides that the new contracts must be used beginning January 1, 1960. There is also a licensing provision in the Act whereby the State Comptroller's Office will collect a tax and will issue a notice or application sometime before the beginning of the year. The license fee is $5.00 per store.—From *News n' Views*, E. D. Rippey, Chairman, Credit Bureau Committee, Credit Bureau of Greater Tampa, Tampa, Florida.

Donald C. Althaus Promoted

Donald C. Althaus has been elected assistant treasurer in addition to his duties as credit sales manager of Central Charge Service, Washington, D. C. He has been with the company since 1957. He was formerly associated with Woodard & Lothrop, Washington, as an executive in the credit department. He is past president and currently a director of the Retail Credit Association of Washington.

Nebraska Stores Revise Charges

Stores in Nebraska have been asking customers who buy on credit to sign new agreements on time purchases. This is the outgrowth of the new State law providing for a credit service charge of one and one-half per cent a month. Most stores had been charging three-fourths per cent although a few held to a one per cent rate. Revolving charge accounts are being set up on the higher service charge basis. Purchasers who bought items and are now paying for them on the three-fourths per cent service charge are not automatically being required to shift to the new agreement. Although the law does not cancel present contracts as long as the contract is not altered, many customers are expected to make the change for the sake of convenience.—*Women's Wear Daily*.

D. A. Elliot and M. E. Price Promoted

Douglas A. Elliot and Michael E. Price were elected assistant cashiers of the Continental National Bank of Fort Worth, Fort Worth, Texas at the September meeting of the board of directors. Mr. Elliot has been manager of the Credit Department since 1952. He is a native of Fort Worth and is a graduate of Texas Christian University and the American Institute of Banking. He is a director of the Fort Worth Retail Credit Managers Association and the Fort Worth Association of Credit Management. Mr. Price is a credit analyst of the bank. A graduate of Oxford University he is presently attending the Graduate School of Banking at Southern Methodist University.

Credit School at Trenton

The Credit Granters Association of Trenton, Trenton, New Jersey, sponsored a credit school conducted by Sterling S. Speake, with 84 members participating. The sessions were held at Rider College September 8-9, 1959. Shown below is a picture taken at one of the sessions. Left to right, are: Edward Gallagher, Credit Manager, Lit Brothers; Daniel Graziano, Manager, Credit Bureau of Trenton; Sterling S. Speake, Retail Credit Specialist, National Retail Credit Association; Harold Smith, Credit Manager, Sears Roebuck and Company, President, Credit Granters Association of Greater Trenton; and Stephen A. Maurer, Business Manager, Rider College.

From the NATION'S CAPITAL

JOHN F. CLAGETT, Counsel

NATIONAL RETAIL CREDIT ASSOCIATION, WASHINGTON, D. C.

Price Stability—Cabinet, Joint Economic and Tax Structure Studies—Price stability seems to be the key idea in investigations and studies aimed at (a) attaining economic strength and growth sufficient to assure victory over the U.S.S.R. in the cold war; and (b) overcoming inflation at home. This report will attempt to cover—necessarily in bare outline—three major government studies now in progress that relate to price stability as a keystone in national economic policy. Reports of the findings and recommendations, and eventually legislative implementations, of these studies will command major interest and importance in the months immediately ahead.

Not only is credit, in the sense of commercial bank credit or money, involved in these studies, but credit on the consumer level has not and will not escape analysis and possible legislative proposals. Broad considerations or policies that may be in the making, or that may evolve as end-product recommendations, could be as important or even more important than specific findings or recommendations in the area of consumer credit itself. One of these broad areas of policy that may influence current or subsequent thinking on consumer credit regulation already seems to have emerged from the President's Cabinet Committee on Price Stability for Economic Growth.

Cabinet Committee—In announcing the Cabinet Committee in the spring of 1959, President Eisenhower stated that it should "strive to build a better public understanding of the conditions necessary for maintaining growth and price stability." It is evident from the brevity and the layman's language used in the four reports thus far released that great effort has been made to accomplish this objective of a better public understanding. The most recent of the series of reports—released October 25, 1959—deals with government financial policies, to wit: ". . . the budget, particularly its size and the relation between spending and revenues . . . the amount of money and credit . . . the management of the public debt."

In summary the report states: "Each of the three aspects of Federal financial policies—budget policy, monetary policy, and debt management—has a significant influence on total spending of the economy, and, therefore, on the balance between spending and potential output. Together, they represent a potentially very powerful set of influences which, when used responsibly and wisely, can make a great contribution to economic stability and sustainable growth."

The final paragraph of this report seems of especial interest to consumer credit. It is pointed out that, "Although the policies discussed here have profound and far-reaching effects on the economy, they do so without conflicting with our ideals of individual liberty and responsibility. By regulating its own actions in relation to the private economy . . . the Federal government affects transactions between private individuals and thus influences total spending, *without interfering directly in those transactions.* By responsible and wise control of its own actions, the government can, without compromising freedom and individual responsibility, promote prosperity with stable prices" (emphasis added).

In short, by effective and balanced use of these three aspects of Federal financial management, the government can and should be able to avoid direct controls in such areas as consumer credit.

Joint Economic Committee—Paralleling the investigations of the President's Cabinet Committee, the Joint Economic Committee of Congress launched its own study in March 1959 under the broad title, "Employment, Growth and Price Levels." Hearings were completed in October, but the Committee's report is not expected until January 31, 1960. The subject of the need or desirability of controls on consumer credit was on the committee agenda. It would be pure guess-work at this time to try to anticipate the findings and/or recommendations, if any, by the committee on the subject of consumer credit. However, when the committee's report is released, a review of the hearing materials and committee recommendations, if any, will be forthcoming for publication in this space in The Credit World.

U. S. Tax Structure—The President's Cabinet Committee, as noted above, discussed the question of tax revenue in relation to spending, as part of fiscal and monetary management by government, that would tend to balance total spending in relation to potential supply, and thus aid in price stability.

The House Ways and Means Committee announced in May of this year that it was preparing to conduct a comprehensive study of the U. S. tax system, starting with the income tax. The general objective of this first part of the study would be: ". . . broadening of the tax base sufficiently to permit significant reductions in individual and corporate income tax rates, without sacrificing the revenues needed by the government." Among other specific objectives mentioned: ". . . a tax climate more favorable to economic growth," and "an over-all tax system which contributes significantly to maintaining stability in the general price level. . . ."

Hearings on this investigation—said to be the most complete and comprehensive in 100 years—started November 16, 1959. Papers and studies on the income tax, submitted in advance, cover three volumes and 2,382 pages. Every phase of the income tax is included. Under the subject of "Compliance and Inforcement," a study paper shows that Americans "under-reported" their 1957 income by about $24 billions, or eight per cent, resulting in a tax loss to the government of $5 billion, enough to cover half the interest on the national debt. ★★★

Local Association Activities

Rochester, New York

The 1959-1960 officers and directors of the Rochester Retail Credit Association, Rochester, New York, are: President, Katharine F. Kennedy, E. W. Edwards & Son; First Vice President, Arthur E. Desbrow, Security Trust Company; Second Vice President, Robert F. Doyle, Hub Oil Company; and Secretary-Treasurer, Robert J. Walsh, Credit Bureau of Rochester. Directors: George L. Butts, Lake View Printing Company; Leonard Cohen, North Side Furniture House; Mary G. Doyle, Rochester General Hospital; Fred W. Ereth, Dime Banking & Loan Association; Robert W. Miller, B. Forman Company; Jack M. Milligan, Lincoln Rochester Trust Company; and Louis A. Schifino, Rochester Radio Supply Company.

Pittsburgh, Pennsylvania

At the annual meeting of the Retail Credit Association of Pittsburgh, Pittsburgh, Pennsylvania, the following officers and directors were elected: President, J. R. Onorad, Pittsburgh National Bank; First Vice President, J. E. Dalmasse, Hahn Furniture Company; Second Vice President, A. G. McMahon, Hughes & Hatcher; Third Vice President, R. Wallace, Rosenbaum Company; Secretary, T. L. Ford, The Credit Bureau; and Treasurer, Howard A. Clarke, Gimbel Brothers. The new director, D. Watkins, will serve for three years.

Cincinnati, Ohio

The newly elected officers and directors of the Credit Executives of Cincinnati, Cincinnati, Ohio, are: President, Walter Spoerlein, Squire-Lawton Company; Vice President, Charles Bovaird, Rollman & Sons Company; Secretary, Allison P. Koelling, Credit Bureau of Cincinnati; and Treasurer, Jim Jacobs, John Shillito Company. Directors: Mary Brinkman, McAlpin Company; Clyde Lineback, Paul Barth Furniture Company; Earl Frye, Getz Jewelry Company; and Harry Kasson, Adjustment Service Corporation.

Louisville, Kentucky

The new officers and directors of the Retail Credit Managers' Association, Louisville, Kentucky, are: President, Clyde C. Jones, Levy Brothers; Vice President, Harold D. Smith, Ben Snyder, Inc.; and Secretary-Treasurer, Carson L. Bard, Credit Bureau of Louisville. Directors: E. V. Armerbaugh, Jefferson Dry Goods Company; Mrs. Hilma Davis, Southern Optical Company; Jack Mickschl, H. P. Selman Company; Russell J. Perkey, Lincoln Bank & Trust Company; Henrietta Schmucher, Rodes-Rapier Company; and William Smythe, Kaufmann-Straus Company.

Lincoln, Nebraska

At the annual meeting of the Lincoln Retail Credit Men's Association, Lincoln, Nebraska, the following officers and directors were elected: President, Donald Wright, National Bank of Commerce; Vice President, Perry Miller, Collection Service Company; and Secretary-Treasurer, R. E. Skold, The United Credit Bureau. Directors: Helen Kidder, Walt Music Store; Merle Clark, Gold and Company; Robert Ellis, Skyline Dairy; Bernice Morris, Ben Simon & Sons; and A. W. Peterson, Hardy Furniture Company.

Wichita Falls, Texas

The new officers and directors of the Wichita Falls Retail Credit Executives Association, Wichita Falls, Texas, are: President, Truman Gordon, Eli Lam Motor Company; Vice President, Theda Bryan, Morgan Motor Company; and Secretary-Treasurer, Louis Ward, Retail Merchants Association. Directors: Bobby Gray, Zales Jewelry; Oleta Wilson, Perkins-Timberlake; Robert Orr, First National Bank; Donald Bentley, Texas Electric Service Company; Alvah Connor, Medical-Surgical Clinic; Virginia Hearn, Hub Clothiers; and Gene Russell, Tanners Furniture and Appliance.

Clarksburg, West Virginia

At the organizational meeting of the Credit Granters Association of Clarksburg, Clarksburg, West Virginia, the following officers and directors were elected: President, Kenneth Hardesty, Palace Furniture Company; Vice President, C. B. Waggoner, Monongahela Power Company; Secretary, Mrs. Clara Mae Allen, Will H. Melet Company; and Treasurer, V. A. Rogerson, The Credit Bureau. Directors: Mrs. Vida Spires, St. Mary's Hospital; Harding Baber, Bonded Claims; Arnold Pugh, Hartland Planing Mill Company; William Maxwell, Parson-Souders Company; Mrs. Mary Marino, B. F. Goodrich Company; and Mrs. Helen Hoffman, Peggy Shoppe.

Big Spring, Texas

The new officers and directors of the Retail Credit Executives of Big Spring, Big Spring, Texas, are: President, Kenneth Huff, Reeder Insurance & Loan Company; Vice President, Jack Davis, First National Bank; Treasurer, Mrs. Dolores Hull, Hester's Supply Company; and Secretary, Mrs. Ruth Apple, Retail Merchants Association. Directors: Wayne Ground, Ground's Pharmacy; Hal Mabry, Cosden Petroleum Company; Robert Hickson, Hemphill Wells Company; and Edward Fisher, Fisher's.

Tampa, Florida

The Credit Managers of Tampa, Tampa, Florida, have elected the following officers and directors for the ensuing year: President, Kenneth Sumner, *The Tribune;* First Vice President, M. W. Collins, Confidential Loan; Second Vice President, Charles W. White, Jr., Pioneer Finance; Secretary, Marian Boss, The Credit Bureau; and Treasurer, Anthony Kovach, Local Finance. Directors: Charles A. Harris, Sealtest Dairies; Margaret L. Hook, O. Falk's; Richard Herrick, Mass Brothers; Madge Gill, Tampa Radio Sales; L. Earl Wilkes, Lerners; Oscar Bonis, Jr., Broadway National Bank; and Kenneth Baumbardner, Mutual Finance Company.

Petroleum

QUESTION

"Do the panel members use lines of credit on their domestic fuel oil accounts as well as on their commercial accounts or not on either?"

ANSWERS

Mrs. Dorothy Alexander, Arkansas Fuel Oil Corporation, Shreveport, Louisiana: The Arkansas Fuel Oil Corporation extends credit to domestic fuel oil users and to commercial accounts. We try to be competitive as to terms in the various states that we serve. On our "summer fill up" for consumers only, we extend special terms but no extra or special terms are offered during the heating season.

H. M. Barrentine, Manager, Credit Card Department, Skelly Oil Company, Kansas City, Missouri: Lines of credit are arranged for domestic fuel oil accounts as well as for commercial accounts, however, in addition to regular monthly terms, other terms are offered because of the seasonal nature of domestic fuel oil purchasing. For instance, during the summer months, a Summer-Fill Dating Plan is offered through our own bulk stations to individual consumers, with payment in full October 15. Additionally, our independent jobbers are offered similar terms on carload shipments so that they in turn can offer Summer-Fill terms to their customers. We also offer a Fuel Oil Budget Plan in certain areas, which briefly is a contract arrangement with the customer for monthly payments beginning in June and continuing to the following May, on an estimated amount of their yearly usage. Such terms can be arranged on any number of consecutive months during the principal burning season, according to customer payment wishes. For example, after surveying the number of rooms to be heated, an estimate is made of the total fuel oil cost, and it is recommended that customer begin paying either June or July with the estimated amount split into ten or eleven equal payments. However, to lend flexibility to the plan, should the customer not want to begin payments until September 1, then the total estimated amount would be split into eight equal payments. On the budget plan the customer is assured of his tanks being filled at all times, and so long as he keeps up his monthly payments. A contract is signed, and after credit approval, a copy is mailed to the customer together with a return envelope for each month of the contract, with payment amount penciled on the envelope in space provided for stamp. No further statements are rendered until May 1 of the following year. We do review the ledger monthly for payment performance, as well as purchase pattern, and should it be found that the estimate is appreciably off, with purchases running well over estimate, then by agreement we go back to the customer for an increase in monthly payments. The same may apply in cases where purchases are running well under the estimate, in which case the monthly payments may be decreased. Generally speaking, the instances are few where an increase or decrease is necessary. On May 1, a statement is rendered for the entire period and a final settlement is concluded. Should there be a credit balance, a check with statement is sent to the customer, and similarly if there is a debit balance a statement requesting payment in full goes to the customer. Each of these plans work to the advantage of the customer as well as ourselves. It assures the customer of being always ready whenever cold weather sets in, and relieves him of the possibility of last minute inconvenience and worry that may occur for those who do not participate. For us, it relieves storage requirements, and for our driver-salesmen, earnings are increased during slack months. Additionally, the salesman's work load is spread out, making possible better service to gasoline and other customers not participating, increasing to all, efficiency of customer service.

H. R. Chesney, Division Credit Manager, General Petroleum Corporation, San Mateo, California: We have found it advantageous to use various systems in controlling credit deliveries to domestic fuel oil users. If the account is in a salary operated area, normal lines of credit are established and controls maintained at points of delivery. In commission marketers' area we have employed one system known as "marketers' responsibility" wherein credit investigations are not made; although we allow credit sales to accounts as selected by the marketers, assuming that they have satisfied themselves that the customers are worthy of credit accommodations. If the accounts are not paid within a period of 90 days from date of delivery, any amounts then owing are considered the marketer's liability and subject to charge to their account. In other instances some marketers prefer that all accounts be investigated and approved in conformance with the same procedure as it applies to salary operated areas. In all instances commercial class of trade accounts are investigated through normal channels, and lines of credit established in conformance with normal credit practices.

J. D. Hartup, Regional Credit Manager, Standard Oil Company of California, Spokane, Washington: We establish lines of credit for all fuel oil accounts regardless of whether they are domestic or commercial. All lines are established after credit information is developed to determine the worthiness of the customer. Often we find it necessary because of marginal risks to hold the account to a one-delivery basis or other short terms. Lines of credit are also established for domestic fuel oil accounts when they are set up on budget plans.

H. L. Miller, Assistant Retail Credit Manager, The Pure Oil Company, Chicago, Illinois: Our company serves domestic fuel oil accounts in marketing areas extending from North Dakota to Southern Florida. There is a wide divergency of policy in the petroleum industry as regards assigning of credit limits to this channel of trade. We assign credit limits to both domestic fuel oil and commercial consumer accounts. I know of several companies who authorize sale of domestic fuel oil to those customers holding a valid credit card. Others market fuel oil only through jobbers or peddlers. Servicing and collection of fuel oil accounts often creates problems for our credit departments due to the outgrowth of an old custom dating back to the "coal days," whereby fuel oil customers refrain from paying for their last spring delivery until their first delivery in the fall and winter months. This old custom is deep-seated in some sections and necessitates education and efficient handling by credit people charged with collection responsibilities. It is interesting to note that a budget plan calling for equal payments amortized over a period of eight or ten months is becoming increasingly popular with domestic fuel oil customers in many sections of the country.

William Stockton, Manager, Credits and Collection, The Atlantic Refining Company, Philadelphia, Pennsylvania: I presume in your interpretation of "lines of credit" you mean what we commonly refer to as a "credit limit." The use of a "credit limit" on domestic fuel oil accounts depends I think on the kind of an accounting system you use. In this area we do a big domestic heating oil business which we handle on IBM. We do not use credit limits. We do use credit codes which classify the accounts generally such as "average," "above average" and "below average." In another company, which uses cycle billing with ledger cards, we do use "credit limits." They are mostly used as a guide since a period of time rather than dollars is ordinarily the controlling factor, i.e., credit is extended for a period of two or three months, and, depending on the weather, the customer can only buy so much.

Jack Terry, Credit Manager, Independent Gasoline and Oil Company of Rochester, Inc., Rochester, New York: We do not use lines of credit on our domestic fuel oil accounts—probably because we have so many it is impractical to do so. We have discussed it many times but to this writing have not assigned the lines. I believe assigning lines of credit to these accounts is a good idea, and if your company has sufficient personnel to "police" the ledgers to use these lines as a guidepost to control further credit extension it's fine! However, at present, we cannot justify setting up and assigning the thousands of lines, only to not have the help to watch the accounts and use the information supplied. We control our domestic fuel oil accounts from an aging standpoint. We feel the average fuel oil account will use about one delivery a month during the heating season (some accounts one-half to two) averaging $25.00 to $32.00. We allow him 30-days net on this billing. If it is not paid and aging places it in the "60-day column" and a notice is immediately sent out asking payment. If the customer does not pay and continues to age to the "90-day column" he is transferred to a "hold" position at our delivery department. At this point, he receives no more oil until he makes payment. Had this customer needed a delivery each month while his first delivery was aging, and it was delivered automatically, he still would not be at the $100.00 mark, which many credit people think is a suggested line of credit for a domestic fuel oil account. Anything smaller is often times impractical to assign and use. Each one of our commercial accounts has a line of credit assigned to it. Here, of course, we are dealing with many hundred of dollars more each month and close control is necessary. Then, too, these larger accounts do not run into the thousands in number on your books and a clerk can more easily inspect the ledgers for accounts "over the lines." Lines of credit are important and should be used without question on commercial accounts. They also should be used on smaller dollar domestic accounts too, but make sure that if they are assigned that you are positive in your approval and use with them. Do not bog your posting or credit clerks down trying to use them. If the person cannot effectively be used at this level you will find that you can use more productively elsewhere. Again, the best way to control an account is at the start with a line of credit—not at the finish when it is too late. If you assign lines—use them!

Home Service Group

QUESTION

"The Home Service Group features products and services brought to the door—a form of merchandising as contrasted with a cash and carry operation: what can credit granters do to expand volume and make our service more practical and serviceable to the householder, and more profitable to us?"

ANSWERS

E. Hadley Phillips, Bell Dairy Products, Lubbock, Texas: There are several ways for a credit granter to expand sales. Although I believe the first and most effective way is by having a good personnel training program. Almost all of the members of the Home Service Group have one of the most effective means of collecting and selling—the personal contact—and it should be used to the fullest extent. It is our job as a credit granter to teach each new salesman the proper collection method and not let him form faulty collection habits. When starting a new salesman who has never been in retail sales, it is relatively easy, because he has no faulty collection habits to change. We should be sure he is well aware of the fact that good sales and good collection go together. He should also be aware that a poor collector loses up to 20 per cent of his sales. Good collections start by having a clean-cut understanding when a new customer starts. There should be a definite agreement about paying her account and on which day the collection should be made. The routeman should be there without fail every collection day presenting a statement in a pleasant matter-of-fact way. He should not create difficulties for himself by being hesitant and timid when asking for the money. A good collector should be pleasant and show by every action that he expects to be paid. The customers buy more when their accounts are current. Good collection habits are good public relations. A good salesman uses preventative methods to keep his sales up and his collection problems few and far between.

Lewis B. Skinner, Wm. H. Roberts and Sons Dairy, Indianapolis, Indiana: Personal contact with the customer at regular intervals is the biggest advantage to

those who comprise the Home Service Group. This contact should be exploited to the utmost in telling of new products and selling more of those products usually stocked. We have the opportunity of smilingly offering our merchandise and services directly to our customers. The smile and a sincere desire to be of service will build customer loyalty to our firms and the products we sell.

Mrs. Arline Taylor, Credit Manager, Bray & Jordan Pharmacies, Austin, Texas: We in the drug business are no different from other credit granters—we too want to make more profit and we fully realize that in order to do this our customers must be given the kind of service that will make them continue to be our customers. This applies in our credit office as well as "behind the counter" and in delivery service. In December of 1957, Bray & Jordan Pharmacies broke all precedent in credit policy for the drug business in our part of the country and installed the Option Credit Plan and service charge. This has been a great service to our customers and has proven most profitable to us. I am not saying that it was instituted without some headaches and complaints. These always come when you make any type of change in your credit policy after being in business for over 25 years. (We experienced the same type of complaints when we went to cycle billing in April 1958.) Our Option Payment Plan has allowed the regular 30-day account to continue as such or he may send one-fourth of his balance and automatically he is on the Option Plan without any "fanfare" or "special arrangements." He understands that his account, if not paid in full in 30 days, will carry a small service charge. These terms are printed on the statement. This allows the customer to stay on a current basis, continue to charge to his account, and not feel that he is past due or that he must trade elsewhere until he can "catch up." Our Option Plan is a help to our customer not only when illness strikes and he needs more time for payment but also during promotional seasons such as Christmas, Easter, Mother's Day, etc. Our stores carry the usual sundries, toys, gift items, cosmetics, and a good line of costume jewelry, making these days good "sale days." Thus the Option Plan has increased our volume of sales in these departments. With some of our eight stores open from three to six hours longer each day than the credit office, we naturally have numerous "emergency charges" (individuals who have not opened an account with us) and in the past these have proved to be quite a problem. Recently we have been mailing our regular statement on which has been imprinted in red: "We are unable to locate a charge account in our files for you. We will be happy to open an account if you will complete the enclosed application and return it to our office." We enclose a credit application and a return envelope. We are collecting a greater number of these charges than we did in the past, and are opening many new accounts in this manner. Of course, we use all the tried and proven credit sales promotions and find them quite beneficial, and are daily looking for new ideas that will increase our profits and make more satisfied customers for Bray & Jordan Pharmacies, but we definitely feel that our Option Plan has done more in this line than all the other things put together, because regardless of what we do to create new business, this Option Plan helps our customers to buy more and to pay over a longer period of time. Do not be afraid of it—it can expand your volume, bring profits to you, and service to your customers. What *more* can *you* ask of it?

From the President's Pen

The Christmas Season

IN THIS, the Christmas Season, it is appropriate that we stop and consider the teachings of Him whose birthday we are soon to celebrate. Of all of the teachings of Jesus Christ, of all of the teachings of the Bible, surely the greatest begins with these words, "Do unto others. . . ."

Yes, it is the Golden Rule. I have deliberately dropped off the balance of the phrase as I believe that the first three words are the most important.

"Do unto others" is a command. It does not suggest or infer, it tells us flatly that the helping of our fellow men is our major responsibility in this World. This, we must do. In helping others, it is ourselves that reaps the greatest benefit. In helping others, we grow. Working together, helping each other, each of us becomes a better man or woman for it.

Not long ago, a teacher asked her class to write down what they wanted to do the most in this life. One little girl gave this as her answer. "I want to grow and grow forever and ever."

My Christmas wish to each of you is that you too may grow and grow, forever and ever, in stature and in grace in the sight of your God.

David Blair
PRESIDENT
National Retail Credit Association

The Staff of the National Retail Credit Association wishes each of its members a very Merry Christmas and a Happy and Prosperous New Year.